

day July 23 1991
ber 1986

activity

W

service

Emirates

Country	Index	Change
Australia	1,512.1	+1.2
Canada	10,150.0	+10.0
France	3,450.0	+10.0
Germany	2,100.0	+10.0
Italy	1,800.0	+10.0
Japan	15,000.0	+10.0
Netherlands	1,200.0	+10.0
Spain	1,500.0	+10.0
Sweden	1,200.0	+10.0
Switzerland	1,200.0	+10.0
UK	2,500.0	+10.0
USA	2,500.0	+10.0

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Wednesday July 24 1991

ENVIRONMENT

Futures trading in 'green credits'

Page 21

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World News Business Summary

Six held in Japanese trading house scandal

Six men were arrested in Japan in connection with the scandal involving trading company Itohan, which came close to bankruptcy through speculation in property and art. Those detained include former Itohan president Yoshihiko Kawamura. Page 12

Shamir praises Syria
Israeli premier Yitzhak Shamir signalled optimism about US Middle East peace proposals. He compared Syria's agreement with the plan with Egyptian president Anwar Sadat's decision to break Arab ranks in 1977 and negotiate with Israel. Page 3

Croatians warned of war
Croatian president Franjo Tudjman warned of a Yugoslav leaders' meeting and warned Croats in a television address to prepare for "all-out war, possibly within days". Page 2

UK army cuts
The British Army is to be cut by 40,000 to 116,000 personnel. Many regiments will be merged, but Wales's oldest, the Royal Welch Fusiliers, won a reprieve. Page 12; Background, Page 8

'No Falklands talks'
British foreign office minister Tristan Garel-Jones ruled out talks between the UK and Argentina over sovereignty of the Falklands (Malvinas) as "out of the question".

American jailed
Russian-born American Eric Rubin, 53, was jailed for 12 years at London's main criminal court for his part in one of Britain's biggest armed robberies - a £40m (\$64m) raid on a safe deposit centre in 1987.

Compensation plan
Former political prisoners in communist East Germany are to be paid at least DM450 (£246) by the German government for every month they spent in jail.

China flood aid
Relief organisation World Vision International criticised the west's slow and limited response to floods which have killed over 1,300 people in China. Hong Kong had contributed more than the sum of donations from five big western nations, a spokesman said.

Vietnam opens files
Vietnam has for the first time let US experts see military archives which could reveal the fate of American soldiers missing since the Vietnam war, Hanoi said.

Madagascar emergency
President Didier Ratsiraka of Madagascar, under pressure to quit after 16 years in power, declared a state of emergency in the capital Antananarivo and ringed government offices with guards. Page 3

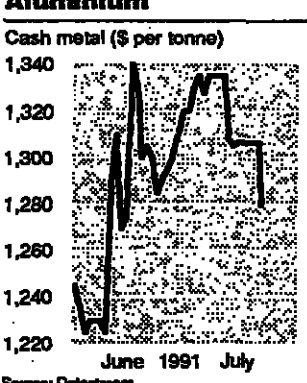
Israeli hostage's suicide
Briton Clive Stringer, held in Iraq for four months as a "human shield" hostage, returned home a changed man and six months later killed himself with a shotgun, an inquest in southern England was told. A suicide verdict was recorded.

Rushdie 'hit squads'
An Iranian dissident group said it had proof that the Tehran government had dispatched hit squads to kill author Salman Rushdie and was behind attacks on his Italian and Japanese translators. Rushdie's The Satanic Verses is considered blasphemous by many Muslims.

Labour brace for polls
Britain's opposition Labour leader, Neil Kinnock, put his party on alert for a possible November 7 general election - the date he believes prime minister John Major will pick.

FT-SE 100 signals new closing high for UK stocks

London stock market shares left the narrow trading range they have occupied for four months. The FT-SE 100 index of leading stocks rose 29.4 points to a record closing high of 2,587.9, after reaching 2,594.7. The market fell in the last half hour after poor performance on Wall Street. The Dow-Jones Industrial Average later fell further, slipping below 3,000, to 2,987.76 by lunchtime, down 15.21. London's rise stemmed from Monday's strong retail sales and trade figures, seen as signs that economic recovery would soon be under way. Markets, Section II



ALUMINIUM prices continued to fall on the London Metals Exchange, although the market was able to absorb fairly heavy producer hedge sales. The 2,525 tonnes rise in LME warehouse stocks was smaller than expected but traders are confident of further large arrivals during the summer. Page 22

PHILIPS, Dutch electronics group, is to sell most of its loss-making computer division to Digital Equipment Corporation (DEC) of the US for an undisclosed price. The transaction will boost DEC's presence in Europe. Page 13

WEST GERMAN inflation appeared to have moved above 4%, when one of the country's biggest states, North Rhine-Westphalia, announced a provisional rate of 4.3%. It could trigger interest rate rises by the Bundesbank. Page 13

TETRA PAK, Swiss packaging group, is expected to be fined heavily by the European Commission, possibly more than the record fine of £47m (\$82.48m). Page 12

NATIONAL Home Loans, one of the UK's largest mortgage lenders, faced a liquidity crisis as local authorities withdrew their deposits. The Bank of England said the eight biggest English clearing banks launched a £200m cash rescue. Page 13; Lex, Page 12

TRADE: European Commission has asked EC governments for their approval of the deal negotiated with Tokyo on future Japanese car imports into the Community. Page 4

BOOTS, UK-based pharmaceutical and retail group, announced that Warner-Lambert, big US drugs company, would be its US marketing partner for Manoplax, a drug not yet launched. Page 13

UNION BANK of Switzerland, biggest Swiss bank, announced a substantial improvement in consolidated earnings for the first half, but gave no figures. Page 14

EUROPEAN Commission attempts to win industry support for its proposed common standard for high definition television is under threat. Broadcasters in several countries are resisting agreeing to a memorandum promoting D2-Mac. Page 12

DAMIER-BENZ's chairman signed the FF2.4bn (\$406m) agreement with Mr Serge Kumpf, Sogeti's chairman, in which the German group will take a 34 per cent holding in Sogeti and subscribe to a convertible loan initially, and buy a warrant to subscribe to a capital increase in 1995.

Bush dilutes chemical arms control proposals

By Lionel Barber in Washington

PRESIDENT George Bush, who has made a global ban on chemical weapons a central US foreign policy goal, has backtracked on earlier pledges to open US military and government-controlled sites for international inspection.

Mr Bush has won support for the policy shift from Britain, which has previously been a strong advocate of intrusive on-site inspections to verify compliance with an international chemical weapons treaty.

Although US and British officials defend their joint proposal as a compromise necessary to protect national security, arms control experts and other critics argue that the terms of verification may be so loose as to undermine the value of a treaty.

The joint US-British proposal, co-sponsored by Australia and Japan, was submitted last week to the UN-sponsored international chemical weapons talks in Geneva. It follows a fierce inter-agency battle in Washington.

The challenge issue - the right to demand on-site inspection - is the last remaining big obstacle in the long-running Geneva talks. The importance of on-site inspection has been illustrated graphically by Iraq's recent defiance of United Nations inspectors seeking access to suspected nuclear weapons sites.

The US would like to see a chemical weapons treaty signed by next May, just before the November 1992 election. In an effort to speed up the talks, Mr Bush recently dropped US insistence on preserving a

small stockpile of chemical weapons and renounced the right to retaliate with them. Behind the scenes, however, hardliners opposed concessions on on-site inspections, arguing that it could allow hostile interests to engage in "fishing expeditions" at other top-secret facilities such as "stealth technology" plants.

This argument grew stronger after the victory of the Gulf war when US military technology proved decisive. Moreover, hardliners believe that chemicals are so difficult to detect

that a treaty may be unverifiable. The British government, which said a year ago that "there are no UK sites so sensitive that we could not allow some form of access within the site", floated a compromise known as "managed access" to break the deadlock.

However, by joining forces with the US, the British have passed up the chance to stand with the French and Germans in favour of a more strict verification regime. The treaty language also shows that London

was forced to give ground on "managed access". In a section entitled inspections under article 9 of the proposed treaty, the language states: "The inspection team shall be guided by the principle of conducting the inspection in the least intrusive manner possible, consistent with the effective and timely accomplishment of its mission."

The principle of managed access is also watered down. The signatory states would be

Major knew of BCCI problems two years ago

By Peter Norman, Richard Waters and Ivo Dawney in London

MR JOHN MAJOR, the UK prime minister, was told on several occasions of problems surrounding the Bank of Credit and Commerce International by Mr Robin Leigh-Pemberton, the governor of the Bank of England, when Mr Major was chancellor of the exchequer.

However, both Mr Leigh-Pemberton and officials close to the BCCI affair say Mr Major only learned of fraud after the Price Waterhouse report on BCCI was produced at the end of June this year.

The issue of what Mr Major knew and when he knew it became the centre of fierce political controversy yesterday as Mr Neil Kinnock, the Labour opposition leader, charged the prime minister with being "utterly negligent" in his handling of the case.

Amid scenes of uproar in Parliament, Mr Kinnock accused Mr Major of knowing of "grave irregularities" at the bank - which was recently closed down by the Bank of England - in early 1990.



Mr Kinnock asked: "Wasn't your failure to act on the knowledge you had a complete dereliction of duty?" A clearly furious Mr Major responded that the Labour leader was conducting "opposition by smear" in his attacks.

In his replies, Mr Major would only concede that "the first I knew of serious banking irregularities was on June 28, last month".

Unisys to cut 10,000 jobs and reduce product range

By Martin Dickson in New York

UNISYS, the struggling US computer manufacturer, yesterday announced a programme to cut costs, involving 10,000 job losses, consolidation of plants, a slimming of its product range and \$1.2bn special charges against second-quarter earnings.

It forecast that the moves would restore it to profitability later this year. The company, which has incurred heavy losses for the past two years, has been grappling with an extremely large debt burden - a legacy of the 1986 merger between Sperry and Burroughs which created the group - and a sharp downturn in the mainframe computer market.

Mr James Unruh, the chairman, said yesterday that the company was sticking to its strategic plan, announced last autumn, to focus its resources on a limited number of key markets. But the state of the industry meant it now had to speed up and broaden these changes.

The company, which has cut

its workforce from around 90,000 to 70,000 over the past two years, now wants to reduce the total to 60,000, with some 8,000 of the cuts coming by the end of this year and the remainder mostly by the middle of next year.

About half the reduction would come from administrative staff and two thirds would be in the US. Other staff cuts would come from products it has decided to "de-emphasise" - an apparent euphemism for gradually phase out - and from plant closures.

Unisys said all these factors had produced a \$925m restructuring charge in the second quarter, and it was also taking a \$275m write-down on goodwill and investment losses. These turned its second quarter loss of \$100.2m on revenue of \$1.3bn, or \$8.24 a share, in the second quarter of 1990 it made \$1.8m, or a loss of 9 cents a share, on revenues of \$2.47bn. However, Mr Unruh said he was sure these actions would

other occasions.

Matters brought up at these meetings included BCCI's convictions for drug money laundering in the US in 1989, he said.

"Certainly I would have talked to the chancellor about the Tampa affair," he said. Mr Major was also kept the financial troubles of the bank from April 1990 onwards, when a report from Price Waterhouse, the bank's auditors, revealed large possible bad loans. "Certainly at the time of the April report, I remember talking to the chancellor about BCCI," Mr Leigh-Pemberton said. But he said that he would not have told Mr Major about the suggestions of impropriety that Price Waterhouse had raised. "I would not have told him about the context of that report," he said.

Mr Leigh-Pemberton said that, at a further meeting in October, he "distinctly remembered" telling the chancellor that the bank's UK branches were sound.

He said: "All chancellors I have served have been aware that it (BCCI) might cause us difficulties and I have assured them I would keep them informed about irregularities that might cause difficulties or embarrassment."

It was also revealed for the first time before the committee that the fraud which eventually led to the closure of the bank involved "representatives of the shareholders", the ruler and government of Abu Dhabi. Mr Leigh-Pemberton said that, for diplomatic reasons, he could not go into further detail.

BCCI shutdown, Page 6

Soviet Union applies to be full member of IMF

By Peter Riddell in Washington and John Lloyd and Leyla Boulton in Moscow

THE Soviet Union has applied for full membership of the International Monetary Fund and World Bank rather than the special associate status endorsed by the Group of Seven leaders last week.

The IMF announced last night that President Mikhail Gorbachev had written to Mr Michel Camdessus, the fund managing director, applying for membership, a necessary step to joining the World Bank.

This unexpected announcement will embarrass the US which, together with Japan, has argued that the Soviet Union will not be ready for full membership, and hence the right to borrow from the fund, for some time.

Instead they have favoured special associate status as a means of providing immediate technical advice on designing an economic reform programme.

In practice, the US and Japan have the voting power in the IMF, which is weighted by size of economies, to block a Soviet membership application.

The decision to apply for full membership of the IMF was taken by the Soviet government in May, but a formal application was only lodged in the last few days.

Soviet ministers believed that they should apply as soon as possible for full membership, because of the long time between application and the granting of full status.

Mr Vladimir Shcherbakov, the first deputy prime minister, said that the application process would take six months. However, US officials believe it could take two years or more.

The IMF said yesterday that it stood "ready immediately to extend to the Soviet Union the appropriate technical co-operation which may be required in its present situation."

Teams from the IMF and the World Bank arrive in Moscow next week to begin a close examination of the Soviet economy. Mr Norman Lamont, the British chancellor, is also expected to arrive on Wednesday to start talks on economic assistance with Mr Shcherbakov.

The speed with which the IMF, the Bank and Mr Lamont - representing the Group of Seven - leading industrial nations rather than just the UK government - have moved indicates urgent moves to follow up the London agreement to assist the Soviet Union in its reform process.

Officials in the international economic institutions and the G7 governments fear that the collapse of the Soviet economy will soon make peaceful reform more difficult.

The IMF and the World Bank are anxious that there should be a systematic approach to supporting reform. But a crucial problem will be deciding on the size of the Soviet quota or subscription.

The financial organisations also fear that the mandate given to them by the London summit - aiding piecemeal projects and delivering technical assistance - will not be enough to tackle the problem of the worsening Soviet economy.

Gorbachev draft programme for Communist party brings split nearer, Page 2

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MARKETS	
STERLING	DOLLAR
New York futures: \$1.85185	New York futures: DM1.75545
London: FF5.959	Sfr1.525
DM2.976 (2.955)	Y137.0
FF10.045 (10.035)	DM1.7580 (1.7585)
Sfr2.570 (2.5575)	FF5.9625 (5.97)
Y230.75 (231)	Sfr1.5280 (1.5215)
S index 91.1 (91.1)	Y136.95 (137.40)
Y index 86.9 (86.9)	Tokyo close: Y137.52
New York Comex Aug: \$368.1	US LUNCHTIME
London: \$369.5	8:45
W SEA OIL (Argus)	Fed Funds: 5 1/8%
Brent Sep: \$19.575 (19.95)	3-mo Treasury Bill: 5.75%
Chief price change yesterday: Page 13	Long Bond: 9 1/8%
	yield: 8.467%

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A WORLD OF CHOICE		
Major Market	Country Select	Bond
America	ASEAN	European
Europe	France	International
Japan	Germany	Sterling
South East Asia	Hong Kong	US Dollar
	Iberia	Yen
	Italy	
	Malaysia	
	Nordic	
	Singapore	
	Thailand	
	United Kingdom	

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INTERNATIONAL NEWS

Israeli PM sees possibility of early negotiations with Arabs

Shamir praises Syrian move on peace plan

By Hugh Carnegie in Jerusalem

Mr. Yitzhak Shamir, Israel's prime minister, yesterday praised Syria's acceptance of American Middle East peace proposals to the initiative of President Anwar Sadat of Egypt who in 1977 broke Arab ranks to open negotiations with Israel.

In an upbeat assessment of the chance of peace talks, Mr. Shamir said the Syrian response was "a phenomenon similar to what happened in Egypt with President Sadat when a revolution occurred in his concepts that ultimately led to negotiations with Israel and to peace."

Mr. Shamir said he was hopeful that "in a month or two, we will sit together with our neighbours' representatives and we will talk". The Israeli prime minister was speaking to a delegation of prosecutors from the US and his remarks were issued by his office.

However, Mr. Shamir warned that sharp differences remained over Palestinian representation at any peace talks, an indication that Israel will insist on maintaining a veto on anyone it considers to be associated with the Palestine Liberation Organisation.

Mr. James Baker, the US Secretary of State, called on Israel yesterday to accept the broad outline of its proposals, while leaving obstacles such as Palestinian representation to be worked out later.

But a senior Israeli official

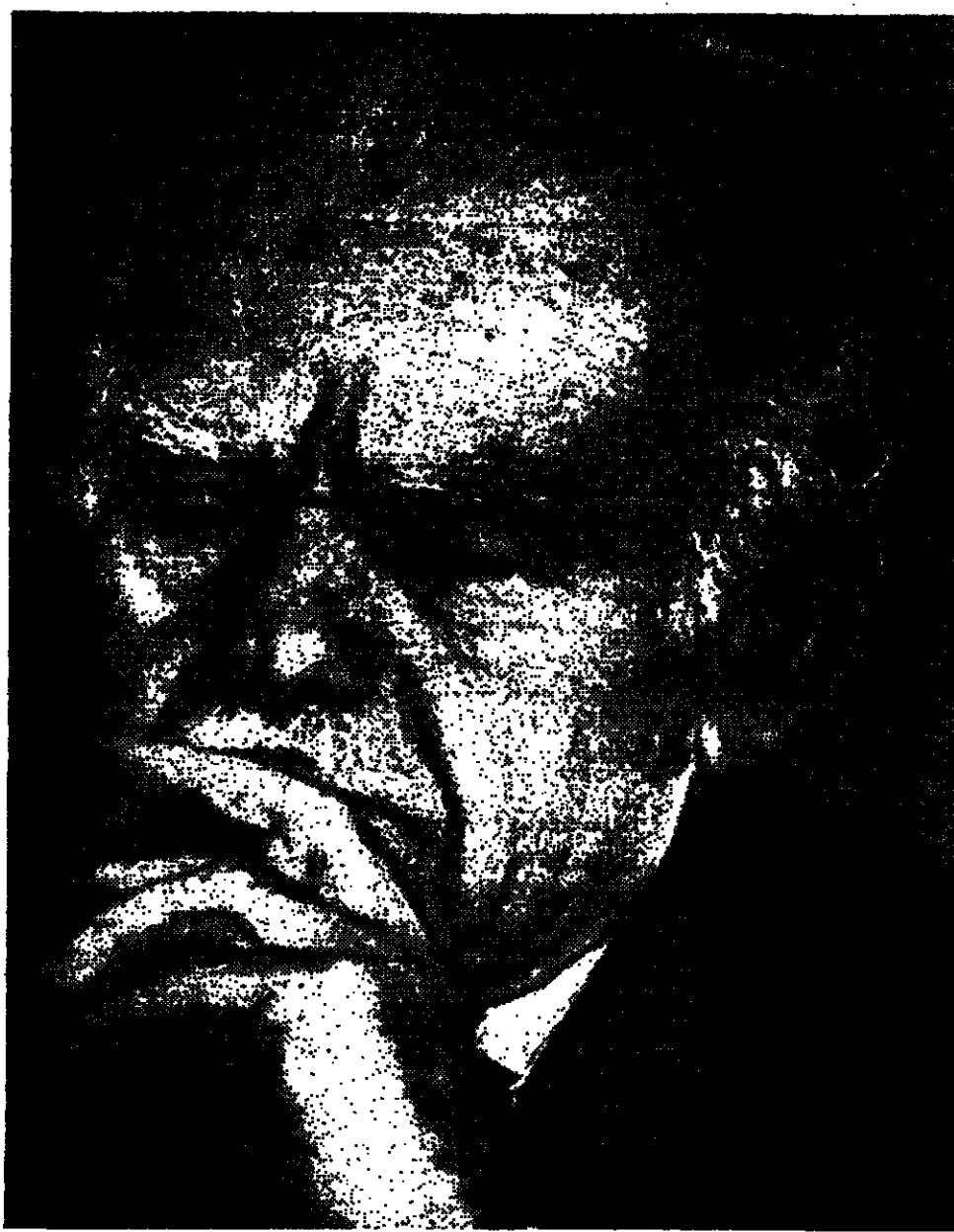
said all details must be worked out first and suggested Israel might not meet Washington's call for an answer before the US-Soviet summit in Moscow next week.

Speaking in Kuala Lumpur, Mr. Baker said the US was working on resolving these differences but said Israel should give a response "that would speak to other elements of the process. Then we will continue to work on whatever other elements exist, pending the actual convening of any conference."

But Mr. Yossi Ben-Aharon, the director-general of the prime minister's office and one of Mr. Shamir's closest advisers, said Israel needed to know in advance "the full picture" of who would participate in talks.

He reacted sharply to remarks by Mr. Brent Scowcroft, the US national security adviser, warning Israel against using delaying tactics and calling for an answer before the Moscow summit. "We asked the Americans not to accelerate because the issues are serious... I wouldn't risk an estimation on dates. The US has excluded the Palestine Liberation Organisation and plans a Jordanian-Palestinian delegation."

Mr. Ben-Aharon made clear this was not enough. He said Israel would not sit with Palestinians "who are PLO in every way" - meaning leaders from the West Bank and Gaza Strip who support the PLO.



Shamir: Differences over who represents the Palestinians must be overcome before climate is right

Few cries of banzai from the securities trenches

Sales staff at Nomura and Nikko brave flak from clients, write Robert Thomson and Michio Nakamoto

THE TRENCHES at the Nomura Securities branch in the Tokyo district of Ikebukuro are defended by a young and enthusiastic staff. They take the flak from customers angered by the company's compensation of favoured corporate clients, and attempt to encourage those irate customers to invest more in an ailing Tokyo stock market.

While Nomura's chairman and president have expressed their regret and resigned, sales staff in the front lines are handling a continuing stream of criticism, and branch managers are trying to devise ways of making stocks fashionable again. At Ikebukuro, they are planning a "Restore Investor Confidence" campaign for next month.

The problems are the same at the central Tokyo office of Nikko Securities, where sales staff last week were given a motivational lecture by their section chief and told to ring as many of their clients as possible that day to apologise for the company's improper behaviour.

"I apologised personally to my customers, and said that Nikko Securities was very sorry for having caused disturbances in society," I called about 50 or 60 people," a 24-year-old Nikko saleswoman said. She has about 400 regular telephone clients, and is expected to cold-call a few potential customers each day.

"Since the scandals started I haven't made calls to new clients. I'm a bit embarrassed and nervous. It's not easy to call somebody you don't know and say you are from Nikko and ask them if they want to buy shares. I know I have to do it, but it's a bit difficult."

She said that some old customers have sympathised with her over the difficulty of her job, but that the media calls are outsiders. Nikko's relations division received a call from a man who warned staff "to take care when you walk in the street at night", while an extreme right-wing group last Friday drove a van into the front window of a Nomura branch.

Most individual investors had realised long ago that they were not treated as equals with large corporate clients by the brokers. The Big Four houses, Nomura, Daiwa, Nikko and

Yamaichi, have admitted compensating clients for ¥128.3bn (\$573m) in securities losses, but the total compensation figure of all companies by all brokers is generally thought to be far higher.

Individuals who played the stock market during the price surge two years ago were aware of gangsters' fondness for stock trading and price manipulation, and some small punters attempted to go along for the ride on ramped and cornered stocks. However, those who put their money into stock investment trusts, which rely on the brokers' good faith in choosing and trading stocks, have more reason to complain.

S.G. Warburg Securities reckons that stock unit trusts are 90 per cent held by individuals and, at the end of May, they were showing a net loss of ¥2,100bn on a par value of ¥28,400bn. The Nikkei stock market average remains 40 per cent below the level of January last year, and there is little evidence that the market or the value of individuals' holdings will rise significantly.

share of trading volume has fallen from 30 per cent five years ago to 24 per cent this year.

The Ikebukuro branch of Nomura has noticed the difference. Mr. Yoshihara Fukui, head of the investment consulting section, said that his 25 sales staff were unable to take lunch breaks when share prices were surging two years ago. He reckoned that 1,200 people would walk into the branch to check share prices, have a chat or make an investment during those busy days.

"Now we get 700 to 800 people coming in, and maybe 200 of them will do some sort of business," Mr. Fukui said.

At Nikko's head office, a spokeswoman of four years' experience said her emotions could be measured by the Nikkei stock index.

When the market was on the rise, she was pleased that her company and her customers were profiting. Now, she senses that "our customers need to be treated with compassion and they need to be assured of our sincerity."

Sincerity is a serious problem. The brokers had hoped that there would be a quick return to business as usual, but the scandals are still seeping out, and staff at several Japanese securities houses expressed disappointment at the lack of leadership shown by their executives.

The surprise resignation on Monday of Mr. Setsuya Tabuchi, Nomura's chairman, and the emergence of details about medium and smaller compensation of select clients shows that the scandals have not yet been shut down.

Japanese workers have just received their summer bonuses and, at this time, brokers traditionally run high-profile advertising campaigns. This year has been different. There is a general mood of gloom over the Nikkei and Nomura were forced to suspend marketing activities for four days as punishment for lending by their affiliates to gangster groups.

A Nikko saleswoman said that she genuinely believed the market is ready to rise, but she is frustrated that her long-time clients have lost confidence. "I really want to invest because I truly believe we have reached the bottom. I want them to make money. I don't want to see them lose."

Staff find it difficult to show enthusiasm while they are still uncertain if another scandal will be surfacing

Japanese investors have generally focused on the share price rather than the dividend yield, as dividend levels have fallen for eight out of the past nine years, and James Capel Pacific called for a rise in the present yield on the Nikkei index is about 0.68 per cent.

Nomura itself is offering fixed-income investment trusts yielding 7.36 per cent, so there is not much incentive to buy stocks.

Ownership and trading of stocks by individuals has been in relative decline over the past two decades. Individuals' share, by value, of stock ownership has fallen from 32.1 per cent in 1975 to about 20 per cent last year, while their

Canberra freezes AS\$7bn worth of trusts

By Emilia Tagaza in Canberra

THE AUSTRALIAN government yesterday imposed a 12-month freeze on AS\$7bn (\$3.3bn) worth of investments in unlisted property trusts.

The move is expected to ward off a run on the trust industry, which has already seen a few collapses among the minor trusts.

The freeze will affect small investors mostly but it has a hardship provision allowing those who desperately need their money to redeem their holdings.

Mr. John Kerin, the federal treasurer, has guaranteed investors that they would be able to withdraw their money at the end of the period.

Property trusts boomed in Australia in the early 1980s, providing small investors with access to the rush on city commercial properties.

The bubble burst in the late 1980s, shaking mostly the unlisted trusts. Some have already negotiated a market rescue, but the shake-out has brought on the danger of a disastrous run.

Mr. Michael Duffy, the attorney general, said the run had not come and will not come, but "who knows how close we had been".

The freeze is designed to give unlisted property trusts some breathing space to reorganise their property holdings and get themselves listed on stock exchanges.

The government would like eventually to see investors being able to unload their units freely on the open market.

Listed property trusts have not been unaffected by the shake-out in the property market.

Allies consider easing Iraq sanctions

THE US and Britain are prepared to consider a very limited and tightly supervised easing of the United Nations sanctions against Iraq to allow the import of food and medicine, report Peter Riddell, US Editor in Washington and Mark Nicholson.

After speaking yesterday to Prince Saddam's son, the special UN envoy in the Gulf, President George Bush was highly cautious about any relaxation of sanctions but stressed that the US "is not

going to see suffering of innocent women and children."

His remarks came as Mr. Douglas Hurd, the British foreign secretary, said in Turkey yesterday that Britain may support a partial lifting of the almost year-old sanctions against Iraq, but only if there were guarantees that money from oil exports would not reach the Iraqi army or members of the ruling party.

The indications of a possible limited softening on sanctions policy follow warnings of the

danger of famine and disease from the effects of the Gulf war, internal unrest and the embargo itself, highlighted by Prince Saddam's report.

The matter will be raised today at a meeting of the UN sanctions committee, which was set up last August to check compliance with the embargo. But British officials said any easing of sanctions would be entirely conditional upon finding a water-tight formula to ensure the money went directly to humanitarian

needs.

Mr. Bush's comments yesterday at the White House show the US reluctance to relax pressure on Iraq and its concern to avoid allegations the embargo is starving large numbers of women and children.

Stressing no decision had yet been taken, Mr. Bush said, "the UN mechanism is clear in terms of helping children and those who may be threatened with either famine or disease. The machinery is in place there."

Sacrifice of India's sacred cows

K.K.Sharma on the deep cuts expected in today's Indian budget

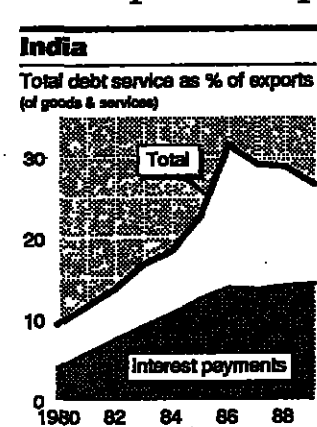
THE recurring nightmare of Dr. Manmohan Singh, the finance minister, that India will default on its external debt repayments is probably over but bad dreams will continue to haunt him until the International Monetary Fund signs a long-term loan.

The minister has moved briskly towards achieving this. Indeed, so fast have reforms and policy announcements come since the P.V. Narasimha Rao minority government took office just over a month ago that most Indians are finding it difficult to digest them.

The 20 per cent devaluation of the rupee a fortnight ago has been followed by a dismantling of the labyrinth of foreign trade controls. Devaluation of industrial policies is just around the corner.

The reforms are sweeping. Yet Dr. Singh will not get his IMF loan unless much more is done to restore international confidence that the government will take the "hard decisions" over "soft options" are over. Dr. Singh will attempt this today when he presents the government's annual budget to parliament.

The budget was postponed from last February under Congress pressure because of the approaching elections. Many,



including the finance minister, believe the cause of India's current difficulties lies in the postponement, since the delayed urgently-needed reforms and allowed the economy to drift.

Dr. Singh's task is easy to state but difficult to carry out. The government has long been living beyond its means, because of excessive internal and external borrowing. It has promised the IMF that it will reduce the fiscal deficit from last year's 6.3 per cent of GDP to 6.5 per cent in 1991-92.

This is the most basic of the "structural reforms" that are part of the deal with the IMF. For Dr. Singh it means he must drastically reduce the Rs110bn

(\$2.5bn) deficit. He can do this only by raising taxes and slashing government expenditure, but Dr. Singh must tread carefully if these are not to hamper industrial growth.

In any case realisation of additional revenues at higher rates in the remaining eight months of the fiscal year cannot add substantially to the government's income.

Inevitably, the finance minister will have to take a hard look at government expenditure and carry out the IMF-mandated reforms. He has already given ample hints where the axe will fall in the pre-budget economic survey published last weekend.

It spoke for the first time of the need to cut defence expenditure. This has been a sacred cow since India was defeated in the border war with China in 1962.

The generals and the so-called nationalists in all parties will oppose "excessive" defence cuts and most observers think he can at best get away with keeping this to present levels, which would mean reducing it by around 10 per cent in real terms.

Dr. Singh has made no secret that he plans to cut subsidies. The 20 per cent devaluation has already enabled the government to do away with

Rs20bn worth of export subsidies and the axe is now expected to fall on food and fertiliser subsidies, both of which are politically sensitive.

An equally sensitive and radical change would affect food subsidies, which are expected to be confined to the poorest sections of the population, no matter how heavy the political fall-out.

Similar cuts can be expected on the fertiliser subsidy, now Rs70bn.

For political reasons, Dr. Singh will also have to tread carefully when he deals with India's huge public sector enterprises and their mounting losses.

The government has so far said little of plans for privatisation, even though this would be welcomed by the IMF. The interim budget presented last March provided for Rs25bn in revenues through sales of equity in some state-owned enterprises but this is far from embracing outright privatisation.

Dr. Singh has repeatedly spoken of "hard decisions." He has already taken some of them, attracting considerable flak in the process. Today's budget could well put the government to its most crucial political test.

New leader for opposition

By Robert Thomson in Tokyo

JAPAN'S largest opposition group, the Social Democratic Party, yesterday chose a new chairman, Mr. Makoto Tanabe, after an election that showed the party's members are deeply divided over moves to embrace European-style social democracy.

Mr. Tanabe, 69, will replace Mr. Takako Doi, who led the party to success in an Upper House election in 1989, but has since fallen out of favour because of her inability to steer a reform programme between a well-organised left wing and a more numerous right.

One of the more superficial reforms has been a change of name in English from the Japan Socialist Party to the Social Democratic Party of

Japan. The name remains the same in Japanese.

Mr. Tanabe, regarded as a pragmatist, wants to introduce policies that would make the party a genuine alternative to the ruling Liberal Democratic Party.

Those voters are intimidated by the orthodox Marxist tone of some party statements, and by a foreign policy that appears to threaten the US relationship and calls for the abolition of Japan's military forces.

Before the in-house election, which lasted two days, party members said that if Mr. Tanabe's opponent, Mr. Tetsu Ueda, a left-wing representative opposed to reform, collected more than 30 per cent of the votes, the SDP could look

forward to a long and bitter argument over the proposed changes. But Mr. Ueda received 43.95 per cent of the 85,765 votes cast, and his followers warned yesterday that the right wing will have to struggle to get even mild reforms approved next week at an extraordinary party congress, at which Mr. Tanabe will be formally installed.

Support remains for Miss Doi, and both Mr. Tanabe and Mr. Ueda had suggested she be made an "honorary chairman", as neither wanted to be seen as pushing her out of office. Miss Doi resigned last month to take responsibility for the collapse of her party's popularity, highlighted by a disastrous result at local elections in April.

State of emergency in Madagascar

MADAGASCAR'S President Didier Ratsiraka

under pressure to quit after 15 years in power, declared a state of emergency yesterday, moving armoured cars into the city centre and ringing government offices with guards, Reuters reports from Antananarivo.

He imposed a night curfew on Antananarivo and its suburbs - site of more than six weeks of largely peaceful protests organised by the largely peaceful coalition of government opponents known as the "Forces for the Restoration of Democracy". Security forces are empowered to search homes, demand weapons be handed in and

restrict the movement of people the government believes to be a threat to public order.

Despite fears of a violent crackdown on demonstrators, about 300,000 protesters gathered in a central square of Antananarivo yesterday to await the reaction of the opposition. Leaders of the Active Forces were meeting to discuss the latest developments, opposition sources said.

Mr. Victor Ramahatra, prime minister, said in an interview on state radio earlier that the government could control the protest, but meetings and close meeting places under strict legislation passed earlier this month.

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De Klerk is outflanked by the warriors of apartheid

Pretoria's security police have undermined government credibility since the reform process began, writes Patti Waldmeir

PRESIDENT F.W. de Klerk's message to South African police officers in January 1990 firmly stated that security forces would no longer be used to fight the ideological battles of apartheid. Political solutions would be sought for what were obviously political problems.

"In the past, you have been asked to handle situations that had nothing to do with ordinary crime. Circumstances have changed and we have reviewed our definition of crime," he told them.

The revelations of the past few days in South Africa, showing clear evidence that security police have actively worked to weaken the African National Congress (ANC), one can be forgiven for asking whether South Africa's policemen were listening to their president - and ultimately whether Mr. de Klerk meant what he said.

Certainly, the speech sounded persuasive at the time. In an emotional

address which Mr. de Klerk says he made "from the heart, without a note", he warned that the alternative could be race war. "If this Armageddon takes place - and blood flows ankle deep in our streets and 4 or 5m people lie dead - the problem will remain exactly the same as before the shooting started."

It was taken as one of the first signs that the new president had abandoned the "total strategy" conceived by Pretoria to oppose what the ruling National Party saw as the Soviet-inspired "total onslaught" against it. For years, the strategy had permitted everything from regional adventurism to township attacks on a grotesque scale.

All that was to have no place in the new Security Management System, which pursued counter-revolutionary warfare in the townships through a combination of coercion and co-optation, was dismantled; the State Security Council, the body at

the apex of this system, was to be downgraded and proper cabinet control over the security establishment reintroduced.

Undoubtedly, some of this has succeeded. The dominance of the so-called "securocrats" over the civilians in former President P.W. Botha's government has been broken. Cabinet now has the confidence to ignore or reject recommendations from the State Security Council - something which almost never happened under Mr. Botha. But,

according to Mr. James Selfe, an opposition Democratic Party member of parliament who is an expert on security matters, the agenda remains fundamentally the same as it has always been - to defend Christian democratic values against the nasty communists.

For more serious, though, are the activities - apparently freelance - of some members of the security forces. Over the past few weeks and months, numerous individuals have furnished hearsay accounts

alleging security force involvement in assassinations of anti-apartheid activists and members of the ANC. A former South African army sergeant says units of the Special Forces regiment were actively involved in the township killings of the past year.

Even after the recent disclosures, no one wants to believe that President de Klerk himself has authorised any such atrocities. Mr. Selfe points out that whereas in a normal western democracy, security policy is made at the highest levels and fed

down to lower levels on a need-to-know basis, in South Africa local security force personnel act largely as they see fit. "A culture of violent retribution and extra-legal punishment has developed in the ranks of the SAP (police)," writes Mark Phillips, formerly a researcher into security activities.

The police have been asked to turn from ideological warriors into ordinary policemen overnight. Many have proved unable or unwilling to make the transition.

Mr. de Klerk must now force that transition on them. He no doubt fears that sacking senior police and army officers would harm security force morale even further. But security analysts believe it is unlikely that sackings, (including the possible removal of the ministers of law and order and defence) would jeopardise the government's future. The greatest threat to that comes from failing to restore a culture of law and order.



De Klerk: on the defensive

AMERICAN NEWS

Brazil suspends IMF talks in negotiator row

By Victoria Griffith in São Paulo

THE BRAZILIAN government has suspended its negotiations with the International Monetary Fund (IMF) in a row over remarks allegedly made by Mr José Fajenbaum, the Fund's chief negotiator with the country.

President Fernando Collor has demanded that the IMF replace Mr Fajenbaum with a new negotiator. All meetings scheduled between him and the Brazilian government have been cancelled.

The row erupted last week when Brazilian journalists reported that Mr Fajenbaum had said Brazil would have to alter its constitution if it wanted the \$2bn (£1.2bn) extended fund facility it was seeking from the IMF.

Mr Fajenbaum said the government should eliminate a constitutional law guaranteeing individual states a share of federal tax income. According to the reports, he said inflation in Brazil could only be beaten with a reduction in the federal deficit.

President Collor angrily retorted that the negotiator should "put his own house in order". The president was told

White House aide warns on credit

By Michael Prowse in Washington

RESTRAINTS on the supply of credit are the single biggest threat to US economic recovery, Mr Michael Boskin, the chief White House economist, told a Congressional committee yesterday.

He said that the Federal Reserve's "wait and see" stance on interest rates was acceptable to the White House for the time being. However, if monetary growth did not speed up, further reductions in rates would be desirable.

Mr Boskin said the Bush administration had sought "safe, prudent" regulation of financial institutions, but the pendulum had swung too far towards restriction. He was frustrated that regulators were still imposing excessively stringent standards. The credit crunch had not eased and was posing serious problems for small and medium-sized companies.

Mr Boskin said the recession appeared to have ended during the second quarter of this year, but the strength and duration of the recovery remained uncertain. He expected a return to more solid growth later this year and sustained expansion beginning in 1992, with inflation and long-term interest rates set to fall.



Daryl Gates announces his plans to retire in April, in front of a mural of Los Angeles

LA police chief bows to brutality claims

By Peter Riddell, US Editor, in Washington

MR DARYL GATES, the embattled chief of the Los Angeles police, has bowed to the controversy over alleged brutality in his department by announcing his retirement from next April, provided a replacement has been found.

The conduct of Chief Gates and his department has been at the centre of a national debate for the past four months after a videotape of the beating of a black motorist by several white police officers was shown on television.

An independent commission headed by Mr Warren Christopher, a former deputy secretary of state, earlier this month sharply criticised the department for tolerating racism and brutality by officers, as vividly

recorded in computer messages. The report urged Mr Gates to step aside.

An unrepentant Mr Gates, who will have served 14 years as chief by next April, announced his decision in an emotional videotaped address to officers.

The city's police commission backs the charges suggested in the Christopher report, involving more community policing, psychological tests for officers and tougher discipline of brutal members of the force.

The Gates affair has highlighted the chief's conflict with the city's long-serving black mayor Tom Bradley and white middle-class fears about the high level of violence in the city.

Fed hawk takes aim against inflation

Michael Prowse discovers a Bundesbank soul-mate along the shores of Lake Erie

MR LEE Hoskins, the president of the Federal Reserve Bank of Cleveland, would not be out of place in the Bundesbank. Born in Los Angeles in 1941, he has not personally experienced the horrors of a collapsing currency. But he hates inflation with a truly Germanic zeal.

Since taking the top position at Cleveland in 1987, Mr Hoskins has become one of the most vocal of the "inflation hawks" on the US Fed's policy-making open market committee. In February, when the recession was in full swing, he was already preaching caution. Lowering interest rates further, he suggested, would not necessarily be the right response to a slowdown primarily caused by higher oil prices.

Sitting in his rather grand office (Cleveland is one of the few regional Feds to retain its original building), Mr Hoskins takes exception to the adjective "hawkish". He argues that his views on inflation are in line with those of policymakers throughout the western world. It is only the US or, more accurately, Washington, that has resisted the trend towards greater emphasis on anti-inflationary policies.

"My disagreement," he says,

"is with a view of demand management that was prevalent in the 1930s." Many Keynesian economists then claimed the existence of a long-run trade off between growth and inflation. Countries could choose faster growth and higher employment at the expense of higher inflation.

Mr Hoskins finds it ironic that US politicians are almost alone in still believing demand management is possible when it was primarily American economists, such as Professor Milton Friedman, who undermined the economics profession's faith in fine tuning.

With the money supply growing at an annual rate of only about 4 per cent, Mr Hoskins says, the Fed chairman, Alan Greenspan, is under pressure to ease monetary policy in order to accelerate economic recovery. Most forecasters expect growth at an annual rate of only 2.5 per cent over the next few quarters. In the first year of most previous recoveries, growth has exceeded 6 per cent.

Mr Hoskins strongly opposes further easing. "What is a normal recovery?" he asks. In previous upturns, he argues, the Fed pumped a lot of money into the system. That increased growth in the short run but also created inflation. He says

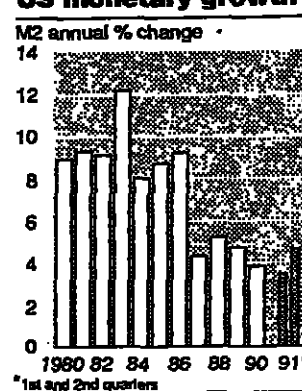
a normal recovery should be defined as one that is non-inflationary, growth of 3 per cent or less would thus be normal.

"I would like monetary growth brought down to a non-inflationary rate of 2-3 per cent", he says. The best way to achieve this, he says, would be to lop the top off the current 2.5-6.5 per cent target band for M2, the most closely watched measure of broad money. Last week Mr Greenspan rejected a tightening of monetary targets, claiming that maximum flexibility was needed given the uncertain outlook for the real economy.

Mr Hoskins, a former director of research at the Philadelphia Fed, says he is not a rigid monetarist. He is not wedded to monetary targets such as M2. He regards this as merely "a tool to get at the ultimate objective, which is eliminating inflation." However, he concedes that the volatility of the velocity of money (the fact that the speed with which it changes hands can vary) complicates the use of strict monetary targets.

He is broadly content with the recent conduct of monetary policy, arguing that the Fed has been more committed to inflation reduction since Mr Greenspan took over in 1987.

US monetary growth



*Jan and 2nd quarters

a year, but argues that the Fed must "adopt a leadership role" and try harder to convince people that even low inflation seriously distorts the allocation of resources. The difficulty, however, is that few academic studies indicate that low, steady rates of inflation do pose an economic threat.

Mr Hoskins is undeterred. He will continue to campaign for a change in the Fed's objectives. At present it has a variety of goals, including maximum production, stable exchange rates and price stability. Mr Hoskins believes the attempt to serve several masters compromises its ability to serve any.

He says the Fed cannot influence production except temporarily, and he regards intervention in currency markets as foolhardy.

The Fed's mandate should thus be changed to make price stability - or zero inflation - its primary objective.

An hour with Mr Hoskins leaves one convinced that doubt has no more place in his intellectual universe than in Mrs Margaret Thatcher's. Inflation is the enemy and it must be killed - stone dead. It seems almost a shame that his crusade attracts so little interest on Capitol Hill, Wall Street or Main Street.

Britain says talks on Falklands sovereignty 'out of the question'

By Robert Maffner, Diplomatic Editor

TALKS BETWEEN Britain and Argentina on the disputed sovereignty of the Falkland Islands (Malvinas) are "out of the question", Mr Tristan Garel-Jones, British foreign office minister, said in London yesterday.

Mr Garel-Jones told a lunch of the Diplomatic and Commonwealth Writers' Association there could be no return to the situation before 1982, when Argentina invaded the Falklands.

It was one of the toughest statements made recently by a member of the British government on the sovereignty question that has bedevilled rela-

tions between the two countries for years.

Before the Argentine invasion, London and Buenos Aires had been involved in discussions on possible future arrangements for the Falklands. "Whatever may have been possible then, Argentina, by its clumsiness, has put out of court. I can't see any prospect of returning to the pre-1982 situation," Mr Garel-Jones said.

The minister referred to the commitment by Argentine President Carlos Menem, when he took office in July 1989, to place the dispute over Falklands sovereignty under a dip-

lomatic "umbrella". This was interpreted as meaning that it would be given a lower priority in Argentine foreign policy.

Diplomatic relations between Britain and Argentina were restored last year and, earlier this year, relatives of Argentine servicemen buried on the islands were allowed a one-day visit to the Falklands.

However, an appeal to restore direct links between Argentina and the Falklands, made two months ago by Mr Mario C  mpora, the Argentine ambassador to London, has fallen on deaf ears. Before the conflict, an air service linked the islands and Argentina.

WORLD TRADE NEWS

EC sends Japanese car deal to member states

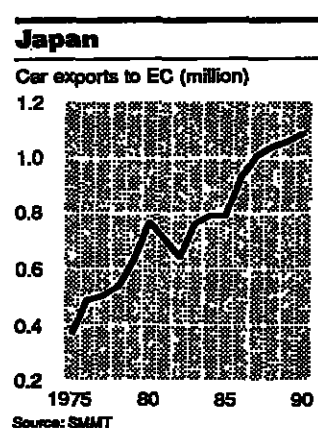
By David Buchan in Brussels

THE European Commission has finally turned to EC governments for their approval of the deal negotiated with Tokyo on future Japanese car imports into the Community.

In a bid to end two years of wrangling over transitional EC limits on Japanese car imports, Mr Gian Luigi Gola, a senior Commission official, briefed EC ambassadors on Monday about the deal and asked for reactions as soon as possible.

The Commission has tried to keep negotiations secret to minimise differences between the Twelve and not to draw attention to import curbs questionable under the rules of the General Agreement on Tariffs and Trade. For these reasons, it is not seeking a formal vote of approval. Nevertheless, Brussels has been publicly criticised by France, Portugal and the UK for being too soft, and by Britain for being too tough, on the Japanese.

The need for an EC-wide pol-



Source: SMMT

icy on Japanese cars imports stems from the planned disappearance, by end-1992, of customs checks within the EC. Five EC states - France, Italy, Spain, Portugal and the UK - will thus no longer be able to maintain separate national restrictions on imports.

The deal's outline now seems to be:

● A limit on Japanese car imports of 1.2-1.3m a year during a transition period from the start of 1993 to end-1993. This means no further growth until the end of the century in the number of cars shipped directly from Japan, (1.25m last year).

● A declaration by the EC recording its "understanding" that the number of Japanese cars made inside the EC, which totalled 260,000 last year, would not rise to more than 1.2m a year by the century's end. Brussels is sticking to its promise to the UK - the main EC centre for Japanese car making - that the sale of EC-made Japanese cars would not be restricted.

● EC and Japanese officials to meet every six months to review the EC car market and whether imports should be adjusted accordingly.

Brazil opens its telecoms sector to US investors

By Victoria Griffith in São Paulo

BRAZIL has opened the way to US investment in its telecommunications sector with the creation of a bilateral telecommunications organisation.

The group's mandate, according to the Ministry of Infrastructure, is to "accelerate private investments in telecommunications". The move follows a decree signed by President Fernando Collor de Mello last week ending the state monopoly in the sector.

Telecommunications has long been considered the jewel in the crown among Brazil's public companies and the government hopes US investments in the market will reach \$1bn (\$594m) next year, more than total foreign investments in Brazil in 1990.

Already, big name telecommunications groups are busy bawling their wares in Brazil. AT&T, together with Sid Informatica of Brazil, has clinched a deal to provide \$10m in switching equipment.

The Brazilian constitution prohibits the privatisation of public utilities but the government has been getting around that rule by contracting out supply, installation and operations to domestic and foreign firms. Foreigners will be allowed a 49 per cent share in joint ventures to run the soon-to-be-privatised mobile phone systems. BellSouth, Stet, Motorola, NEC, and IBM have already declared their interest in the mobile phone market.

Gatt farm talks await the politicians

By William Dullforce in Geneva

URUGUAY Round negotiators have made progress in the last two weeks in preparing the ground for crucial political decisions on the return of world farm trade and the liberalisation of trade in services, trade officials said yesterday.

But, they added, it is now clear that Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (GATT), will not attempt to break the deadlock in agriculture by tabling his own proposal until after the summer.

This means the call from Mrs Carla Hills, US Trade Representative, for governments to agree by end-July on the mechanisms to be used to reduce farm subsidies will not be met. It also means a further contraction of the time available to fulfil the declaration by the leaders of the Group of Seven industrial countries at their London summit that the Uruguay Round should be successfully completed by the end of the year.

Mr Dunkel, who now chairs the farm talks, is understood to have returned from a visit to The Hague last week with the impression that the European Community was still not ready to budge on the farm issue. The Netherlands currently holds the EC presidency.

Reporting yesterday to the group negotiating on agriculture on his informal consultations on the techniques to be



Arthur Dunkel: agriculture proposals delayed

used in cutting farm subsidies Mr Dunkel said he saw a widening acceptance that the principle of tariffication should be applied in curbing border protection.

Under tariffication, advocated by the US and the Cairns Group of 14 farm-exporting countries but resisted by the EC and Japan, all border restrictions such as import quotas or the EC's variable levies would be converted into customs duties and then reduced.

In the domestic farm support area further progress had been made in defining "green box" policies which would be exempt from reduction. A distinction has been drawn

between direct payments to farmers, which do not boost production, and government support for research, development and marketing.

It is agreed that the Aggregate Measure of Support (AMS), proposed by the EC as basis for the reductions, should play a role when cutting domestic supports but, delegates said, there had been strong resistance to the EC's wish to use an AMS in the border protection area as well.

In abating export competition, a generic definition of what constituted an export subsidy together with a list of the practices that would be subject to reduction appears to be emerging as the most pragmatic approach, according to Mr Dunkel.

But differences persist on whether cuts should be made to budget outlays, to export volumes or to a combination of these. Nor is there agreement to prevent them being extended to new products or markets.

Technical work in Geneva was intended to contribute to budget outlays, to export volumes or to a combination of these. Nor is there agreement to prevent them being extended to new products or markets.

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crunch decisions."

In the services talks the outlook is brighter, thanks to a new approach to some countries' insistence on having sectors exempted from GATT's Most Favoured Nation (MFN) rule which states that trade benefits granted to one country must be available to all other countries.

The US wish to exempt shipping and telecommunications has been a central stumbling block to completion of an agreement on services. The US maritime lobby, in particular, is fighting to retain its right under the Navigation Act to have unilateral US sanctions imposed on countries that it considers misbehave over shipping rights.

Now it has been suggested that countries should describe measures they want exempted from the MFN rule in terms of concrete governmental actions and not as measures taken under the provisions of domestic legislation which would not conflict with GATT rules until implemented.

"This formulation could let the US off its hook. Significantly, trade sanctions have never been applied under the US Navigation Act."

Countries, it is proposed, should inform the GATT secretariat by September 20 of the exemptions they will seek under the new formula.

Bush confident on China MFN battle

By Nancy Dunne in Washington

PRESIDENT Bush yesterday predicted that he would prevail in the US Senate in a looming veto battle over legislation which would grant China another year of Most Favoured Nation (MFN) trade status but which would also impose heavy conditions on its subsequent renewal.

The Senate entered its second day of debate over legislation, backed mostly by Democrats, which would cut off China's MFN status immediately if it sold ballistic missiles to nations the US considered dangerous. In addition, China would lose MFN status in a year if it failed to "make reasonable progress" on human rights.

Similar legislation has already passed the House by a margin strong enough to override a veto.

Early voting indicated that the White House can produce the 34 out of 100 votes needed to sustain the president's veto. An amendment by Senator Jeff Bingaman, a New Mexico Democrat, directs the president to work actively with US allies to

restrict technology transfers. It passed by a vote of only 55-35.

While congressional Democrats may fail in this attempt to place conditions on China's MFN status, they have succeeded in forcing Mr Bush to reappear before Congress and to commit himself to being tough on arms sales and trade. The president promised to take strong action if talks next month with the Chinese on market access fail to produce results.

Regarding Taiwan, Mr Bush seemed to reverse administration policy on the country's admittance to the General Agreement on Tariffs and Trade. Instead of waiting for China's prior entry, the president agreed to "work actively with other contracting parties to resolve in a favourable manner issues relating to Taiwan's GATT accession."

The administration will "seek to have the Chinese government take steps on trade reform so that China's GATT application can advance."

The president also promised that if China did not make "real progress" in talks on intellectual property rights,

"trade action will follow." Additional action will also be forthcoming on illegal Chinese textile shipments through third countries "if China does not exert effective control."

With the list of presidential concessions in hand, senators have been left to debate the wisdom of pressing China too hard. Senator Max Baucus, chairman of the International trade sub-committee, warned of China's history of "resisting foreign interference" in domestic affairs. "The steps that the administration is now taking with regard to China are long overdue. But they are now being taken," he said.

Senator Lloyd Bentsen, the influential chairman of the Senate Finance committee, warned that US actions today would lay a foundation for the future.

China can become another Japan, exporting behind a closed market, he said. "We cannot afford to take a hand-off approach."

Future conditional: US trade relations with China, Page 15

S American states agree on harmonisation

By John Barham in Montevideo

THE FOUR member countries of Mercosur, the South American common market, have decided to work towards common anti-dumping, investment and intellectual property policies and to reduce rapidly non-tariff barriers to regional trade, particularly in fresh food and pharmaceuticals.

However, the economy ministers from Argentina, Brazil, Paraguay and Uruguay said their informal discussions of broader economic issues at last Saturday's mini-summit in Montevideo were more valuable than the meeting's rela-

tively modest advances in trade liberalisation.

The four countries created the Southern Cone common market in March, pledging to eliminate internal trade obstacles by 1995.

Exchange rates, inflation rates, growth rates and tariff structures, which vary widely at the moment, are supposed to converge by this date.

Conflicts between each country's domestic policies are beginning to emerge, requiring discussion at ministerial level. The Uruguayans, for instance, wanted to know why Argen-

tina subsidises companies under its regional development policy.

Mr Enrique Braga, the Uruguayan minister, said all companies must be put on an equal footing to demonstrate politically that the four are committed to creating a common market that is more than just a mutual lowering of tariffs.

However, the timing and method of implementation of policy reforms is already affecting domestic economic policies. Brazil, by far the region's largest market, still has relatively

high tariffs which it is reducing gradually.

Argentina, though, opted for an immediate reduction of its tariffs to an average 9 per cent.

Anti-subsidy and anti-dumping regulations are being handled by technical groups, but because the issue is so delicate it requires treatment by ministers to decide on new policies rapidly.

The ministers also talked about co-ordinating public sector and infrastructure investments, such as interconnecting their electricity and gas networks.

chief bows ty claims

[illegible]

ation
of Lake Erie

A recent book argues that the world's leading economies are heading for a coming crisis because of inflation. The book is "The Global Inflation Trap," by the author, Robert H. Anderson, who is a senior advisor to the U.S. Treasury. The book is published by the Brookings Institution. The book's main thesis is that the world's leading economies are heading for a coming crisis because of inflation. The book's main thesis is that the world's leading economies are heading for a coming crisis because of inflation. The book's main thesis is that the world's leading economies are heading for a coming crisis because of inflation.

Politicians

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FN battle

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SONY
MADE IN WALES



THE WELSH ADVANTAGE.

THE BCCI SHUTDOWN

Bank received fraud warning in April 1990

By Richard Waters

THE BANK of England was warned about possible fraudulent activities at Bank of Credit and Commerce International as long ago as April 1990, Mr Robin Leigh-Pemberton, the Bank governor, told MPs yesterday.

At a two-hour hearing before the Treasury and Civil Service select committee, Mr Leigh-Pemberton was pressed by MPs from both sides on how it was that the Bank failed to act against BCCI before the international operation by banking regulators to close it down on July 5.

Though he looked uncertain and nervous at the outset, Mr Leigh-Pemberton gained confidence as the hearing progressed.

In an opening statement to MPs, the Bank governor indicated that he had first received indications of possible fraud at BCCI in a report from Price Waterhouse, the auditors, in April 1990.

Price Waterhouse, while reporting on large troubled loans made by the BCCI, had added that "certain accounting transactions had been either false or doubtful." The auditors' report had recommended that the bank set up a provision against possible large losses.

At the same time, Mr Swales Nagvi, the bank's chief executive, was sidelined within BCCI and it was clear he would play no part in the instigator action reconstruction then under discussion was completed, Mr Leigh-Pemberton said.

A further report from Price Waterhouse in October said "the previous management may have colluded with major customers to mis-state or disguise the underlying purpose of significant transactions," the Bank governor said.

This report had a more dramatic effect on BCCI's management. Mr Nagvi and Mr Agha Hasan Abedi, the bank's founder and president, resigned the day after the report was produced.

Mr Leigh-Pemberton said there had been insufficient evidence to take stronger action against BCCI at that time. The Bank felt it had done enough by forcing the introduction of new management, together with a recapitalisation and a planned restructuring.

The governor also dismissed claims that the Bank should have acted on an anonymous letter it received last year from Mr Vivian Ambrose, a former internal auditor of BCCI who also wrote to a senior minister warning of fraud and corruption. The letter contained only

a vague warning and did not demand further investigation, he said.

It was also revealed for the first time before the committee that the fraud which eventually led to the closure of BCCI involved representatives of the shareholders, the ruler and government of Abu Dhabi.

Mr Leigh-Pemberton said, for diplomatic reasons, he could not go into further detail. In an affidavit to the High Court in the UK earlier this week, the government of Abu Dhabi said it had not been involved in the fraud, and that the Bank of England, at a meeting in Abu Dhabi last Tuesday, accepted this claim.

Mr Leigh-Pemberton said action had not been taken against BCCI in the UK at an earlier stage in part because the branches were owned by a subsidiary of BCCI incorporated in Luxembourg. It would have been for regulators there to take action, if they thought fit, he said. However, commenting on powers contained in the 1987 Banking Act, he said: "We could, if we wanted to, use those powers to close the UK branches."

He told MPs that the Bank of England gave the Bank powers to restrict BCCI's operations if it wanted, for instance, by banning it from taking new deposits. However, this action was not thought necessary, he said. The UK branches of BCCI emerged from the hearing as among the most stable of any of its operations. "The branches had not operated badly. In fact, there could be an asset surplus," said the governor.

This surplus was protected by a "ring-fence" arrangement, and the most frequent reporting requirements placed on any bank were used to reassure regulators about BCCI's position in the UK.

At one stage, the bank had been convicted of laundering drug money in the US in 1989, BCCI had to provide the Bank of England with a daily balance sheet, although this was later reduced to a weekly one. "It couldn't be said that the international operations were, so to speak, milking the UK branches," Mr Leigh-Pemberton said.

In spite of this, he held out little hope of the bank being restructured in the UK, or of UK depositors benefiting from the strong UK position. It is "just conceivable" that, with new capital and new management, the UK operations could be reopened, but Mr Leigh-Pemberton offered little hope for this outcome.

CANADA

Branch managers anxious to oversee operations

SENIOR managers of Bank of Credit and Commerce International (BCCI) have asked the authorities in Ottawa to appoint the bank's present staff as the government's agents in the future operations or winding down of the bank, Bernard Simon writes in Toronto.

Mr Omar Khan, the bank's general manager, met Mr John McNamee, minister of state for finance, late last week to discuss the proposal.

Mr Khan said the staff knew more about the bank's operations than anyone else and should therefore have a hand in whatever was decided.

The superintendent of financial institutions has appointed Arthur Andersen, the account-

tancy firm, as his agent to oversee the bank's affairs until a decision is taken on a winding-up order.

BCCI has four branches with assets of about \$200m (£142m). More than half its deposits of \$114m were in foreign currency. Much of its business was trade finance. A \$241m loss in the six months to April 30 was the largest suffered by any of the 55 foreign-owned banks in Canada.

Although BCCI is not yet in liquidation, the Canada Deposit Insurance Corporation, which insures Canadian dollar deposits up to \$60,000, has started paying out some of the bank's depositors on compassionate grounds.

INTERNATIONAL ASSETS

Third of group not under control of receivers

By Richard Waters

UP TO a third of the BCCI group has yet to be brought under the control of receivers, prompting concerns that assets which should be used for the benefit of all its depositors could leak from the group.

The Luxembourg and Cayman Islands-based operating arms, representing about \$150m (£9.5bn) of the group's \$22.5bn of assets, are under the control of receivers from Deloitte Ross Tomlinson (DRT), whose UK

affiliate is Touche Ross. However, the receivers have yet to gain control of BCCI Holdings (Luxembourg) SA, the group holding company, which directly controls other parts of the banking group.

Negotiations are already under way to sell parts of the group.

In all, companies in countries operating through 250 offices remain outside the control of DRT. Some, such as

Gokal 'fronted' in attempt to buy US bank

By Alan Friedman in New York

THE Pakistani shipping family identified as the principal bad debtor which contributed to the downfall of BCCI tried and failed in 1976 to buy a New York bank because US regulators considered it a "front" for BCCI and were worried that the bank was inadequately regulated.

Mr John Heimann, a senior executive at Merrill Lynch who was the superintendent of the New York state banking department at the time, said he was visited by a Mr Gokal, a Pakistani shipper who was acting as an "intermediary" on behalf of BCCI.

According to extracts from a Price Waterhouse report delivered to the Bank of England at the end of June "the principal bad debtor was Gulf Group," a shipping business run by Mr Mustafa Gokal and his brothers.

The New York state banking commission confirmed last night that the 1976 attempt to buy the New York bank came from Mr Abbas Gokal, a brother of Mustafa, who runs a number of Gulf Group companies from Switzerland.

The Gokal brothers were among the largest beneficiaries of BCCI loans.

Mr Heimann, who went on to serve between 1977 and 1981 as US comptroller of the currency, said Mr Gokal's application to buy the Chelsea National Bank, a small New York-based bank, was turned down.

The reasons were that the bank was not supervised by any single primary regulator and because "it was clear to the New York State Banking Department that Mr Gokal was a representative for, or a front, for BCCI."

"It was a Mr Gokal who came to see me. He was in the shipping business and did not claim to have any bank-

ing experience. He said he would be relying on BCCI for advice and counsel," Mr Heimann said in an interview.

Mr Heimann recalls being troubled that BCCI was outside the normal bank supervisory network.

"My own view was to wonder why they didn't have a primary regulator. They might well have something to hide. Merely the fact that they didn't have a primary regulator set off alarm bells."

Mr Heimann said that even in 1976 BCCI "was a bank seemingly

shrouded in mystery." While the rejection of Mr Gokal's application to buy Chelsea National was on formal regulatory grounds, the former New York bank supervisor says that there were market rumours circulating to the effect that "BCCI's operations were dicey, that it did strange things."

In retrospect, Mr Heimann said the disclosure that the Gokal company was BCCI's main bad debtor confirms his opinion he was a representative and that "we were right not to permit the purchase."

Shipping line that hit rocks

Richard Tomkins reports on the rise and fall of the Gokal brothers

THE story of the Gokal brothers' shipping empire is a rag-to-riches story that seems to have turned full circle.

For a time during the 1970s and 1980s, the three brothers were one of the world shipping industry's most potent forces, owning nearly 100 vessels of their own and chartering more ships in one year than India and China combined.

Now, the brothers' holding company - Gulf International Holdings - is in administrative receivership in Luxembourg, barely 12 vessels remain, and the group's debts are known to have been on such a scale as to have played a significant role in triggering BCCI's collapse.

The seeds of the Gokal brothers' rise to prominence were sown 30 years ago when they moved from their native Pakistan to set up a trading company in Iraq.

For a while, the business flourished. But the revolution which put Saddam Hussein in power brought persecution for

wealthy foreign merchants. Their elder brother was hanged and the three survivors - Mustafa, Abbas and Murataza - fled to Europe. Initially they carried on their general trading activities. But on the back of two vessels which they had been using to transport their own cargoes, they made their move into shipping with the launch of Gulf Shipping Lines in 1969.

The business sounded unglamorous. It was essentially a tramp shipping operation, transporting dry bulk cargoes such as grain, cement, fertilisers, sugar, timber products, coal, and ores such as iron and manganese.

But by adopting an aggressively entrepreneurial stance and specialising in parts of the world which other companies were not so interested in - Bangladesh, India and Pakistan, for example - the business prospered.

By 1975 the brothers were controlling a fleet of at least 240 vessels, 97 of them owned outright and the remainder

chartered. They were making their mark on the shipping industry and were beginning, albeit grudgingly, to be accepted in it.

But former employees tell how the Gokals then started using the shipping operations as the basis for diversification into a range of other activities including hotels, property and mining.

"They were into everything they could lay their hands on," says one.

"At one stage they had cornered the market for tinned mushrooms in South Korea and tubed garlic paste in Australia, while in Britain they were selling basmati rice out of the back of ice cream vans in Southall."

Former employees say that, although an expensive mistake was made in the late 1970s when the Gokals ordered four new vessels from a Brazilian shipyard at the top of the market, the shipping side of the business was generally run well.

What led to the group's

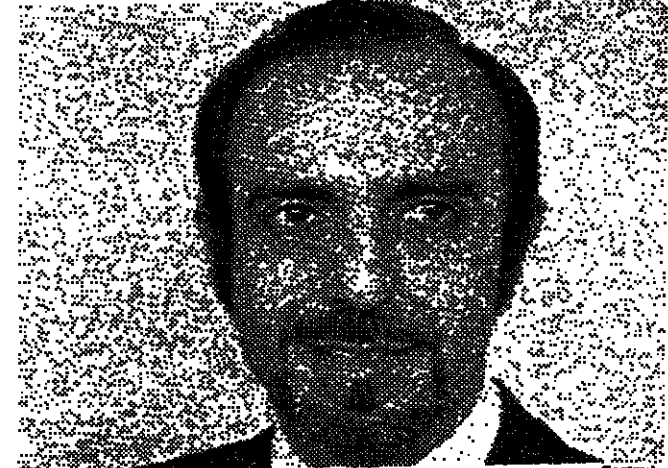
decline, they say, was the use of the funds generated by shipping to finance other activities - most damagingly, they claim, the brothers' diversification into futures trading in the commodities and foreign exchange markets.

One employee claims the group was almost brought to its knees in 1979 when it incurred substantial losses on oil and gold trading and failed in an attempt to recover them in the money markets.

"Then one day Abbas Gokal went away for the weekend and came back on Monday morning with a massive new injection of finance," the employee says. "It's for you to speculate where it came from."

News of the Gokals' links with BCCI has come as no surprise to those who knew the company. "Most people knew they had associations with BCCI going back many years and at one stage they were regarded as having some sort of shareholding in the bank," says an ex-employee.

"They were a very big name



Mustafa Gokal: an aggressively entrepreneurial stance in Pakistan and BCCI was founded by a Pakistani, so it would have been more surprising if they were not associated."

Employees speak with respect, even affection, of the Gokals. They say that, although sometimes criticised in shipping circles for their penny-pinching business approach, they are quiet, polite and honourable men.

Mr Mustafa Gokal, the elder of the brothers, is a devout Muslim who was once a personal adviser to the late president Zia ul-Haq of Pakistan.

PARIS

Offshoot placed under scrutiny

THE Paris commercial court yesterday decided to place BCCI-France under observation for six months. At the end of this six-month period, it will choose between winding up the business, running it under court administration, or accepting any eventual candidates to take it over.

This "observation period", however, does not mean that BCCI's French branches, which were closed by France's banking commission at the beginning of the month, will reopen. BCCI-France had around FF360m (£35.5m) of deposits when it closed, with some 2,000 clients. The court named Mrs Carassat-Marillier as representative of the creditors.

"The Bank of France took action against BCCI in France as early as January, because of doubts about its level of reserves and its operations in general," Mr Philippe Lagayette, the deputy governor of the central bank, said yesterday.

In an interview with the business daily, Agence, he said that the central bank also stopped BCCI borrowing on the interbank market in January, and sent in an inspector to see it was obeyed.

"It is rare that we go so far as to forbid the development of a bank but, in this case, we felt that the level of provisions and of shareholders' funds were insufficient, and we found that the functioning of this bank was open to criticism," Mr Lagayette added.

Separately, Mr Pierre Bérégovoy, the finance minister, said the BCCI episode showed the need for closer supervision in some countries of banks with international networks.

"It is indispensable for financial centres such as London and Luxembourg to tighten their control procedures," he said. Mr Bérégovoy said French regulators had done their job and had kept BCCI under close scrutiny since discovering a case of money laundering in 1988.

SRI LANKA: A Sri Lankan bank will probably take over the running of the Colombo branch of BCCI, a government official said.

Mr R. P. Karunaratnam, secretary to the Ministry of Finance, said the decision was taken because BCCI's registered head offices in the Cayman Islands and Luxembourg had failed to respond to queries from Colombo.

The government was taking a risk by taking over the bank because the legal position was not clear, he added.

TURKEY: BCCI's banking permit has been cancelled. "The permit under which BCCI A.S. conducts banking activities and receives deposits has been abrogated," a cabinet decree published in Saturday's Official Gazette said.

BCCI, active in Turkey for 11 years, has branches in Istanbul, Izmir and Mersin.



BCCI staff meet outside the Bank of England yesterday, led by Qaiser Malik, centre

Staff to petition High Court

By Khozem Merchant

BCCI staff representatives are to present petitions to the High Court and the bank's majority shareholders in Abu Dhabi supporting the case for a restructuring of the bank.

Mr Qaiser Malik, head of BCCI's ad hoc staff committee, said yesterday that he would press ahead with "getting a rescue package in place."

The committee has been encouraged by the High Court's move on Monday to protect the interests of thou-

sands of small BCCI depositors and employees.

"We want our bank and jobs back, and we want to convince the courts that a restructuring is possible," Mr Malik said. He was speaking after talks with Touche Ross, BCCI's provisional liquidators, which he described as satisfactory.

He said the provisional liquidators confirmed that salaries for the rest of July would be paid, including any June over-time payments. Touche Ross

had given an assurance that the pension fund was sound and an independent trustee had been appointed.

BCCI staff with private health policies with the bank were no longer covered, he said.

Talks with the provisional liquidators also covered the possibility of transferring BCCI mortgages to other lenders and introducing a one-year moratorium on payments, Mr Malik said.

JAPAN

Assets are frozen and liquidator appointed

THE TOKYO District Court yesterday appointed a liquidator for the Tokyo branch of BCCI after the Ministry of Finance concluded that the branch could not be allowed to re-open, writes Steven Butler in Tokyo. The branch had been closed voluntarily since July 8.

The ministry had wished to find a way to keep the branch operation viable but had decided to move towards liquidation when it became clear this was impossible.

The ministry said that the slow response of the government to the international action against BCCI stemmed from its inability under Japanese law to freeze the bank's assets without simultaneously moving towards liquidation.

Yesterday the ministry notified the district court that the branch had been closed down and that there was a possibility that its debts exceeded its assets.

The assets of the branch were ¥99.2bn (£298.21m) at the end of March, including ¥13.6bn in loan guarantees. The net assets would be further reduced by deposits offsetting loan balances.

However, the ministry refused to give details of the current financial condition of the bank, including the size of any shortfall in the bank's assets.

It said it had used "administrative guidance" to prevent capital flight, and that it believed its efforts had succeeded.

Nevertheless, it was necessary to appoint the liquidator and freeze the assets in order to prevent any possibility of capital flight and to stop individual depositors from taking civil action to recover funds at the expense of other depositors.

The ministry's decision was based on information provided by other regulatory agencies, including the Bank of England, and the Luxembourg monetary authorities, as well as its own investigation into the branch.

The dismissal of the branch employees on Friday, as well as the pending court action of individual depositors, also contributed to the decision to move towards liquidation.

The liquidator is Mr Ichiro Kugisawa of the Tokyo Fuji Law Office.

Kinnoch accuses PM of negligence

By Ivo Dawanay, Political Correspondent

THE POLITICAL temperature at Westminster rose markedly yesterday with the most ferocious clashes yet between the prime minister and Mr Neil Kinnoch, the Labour leader, over the BCCI affair.

Amid scenes of uproar on the benches, Mr Kinnoch used question time to claim that Mr John Major knew about "grave irregularities" at the bank in early 1990 and to accuse him of being "utterly negligent" in his handling of the case.

Mr Kinnoch asked: "Wasn't your failure to act on the knowledge you had a complete dereliction of duty?" A furious Mr Major responded that the Labour leader was conducting "opposition by smear" in his attacks. "If you are saying I am a liar, you better say so bluntly," he added.

The exchanges appeared to be at least partially at cross purposes. Mr Kinnoch, quoting Hansard, was attempting to pin the prime minister to his (Mr Kinnoch's) claim that Mr Major had been aware in early 1990 of widespread irregularities.

Mr Major would only concede that "the first I knew of serious banking irregularities was on June 28, last month."

There seems little doubt from the testimony of Mr Robin Leigh-Pemberton, governor of the Bank of England, to the Treasury and Civil Service committee yesterday, that the prime minister would agree that he knew when he was Price Waterhouse's June 1991 report.

Florida drug-money laundering case involving BCCI.

The governor also said he had spoken with Mr Major about the BCCI restructuring plan of April 1990 and of other aspects of the bank on other occasions.

He said: "All chancellors I have served have been aware of it [BCCI] and I have assured them I would keep them informed about irregularities that might cause difficulties or embarrassment."

Mr Leigh-Pemberton nevertheless insisted that evidence of a fraud big enough to necessitate closure of the bank only emerged last month. It was then that he told the prime minister and the chancellor of his decision to act.

"Up till then no evidence of a fraud that justified revocation (of BCCI's banking licence) had been found," he told the committee. Up until June 28, he said neither Mr Major nor Mr Norman Lamont, the current chancellor, had seen the earlier Price Waterhouse reports of October and April 1990 that pointed to serious problems.

Under questioning from Mr Nicholas Budgen MP, he stressed that the decision to close the bank lay with him, under the authority of the banking acts.

Mr Leigh-Pemberton's evidence appears to corroborate the implied responses of Mr Major and Mr Norman Lamont, the current chancellor, that they knew nothing of the huge fraud unravelled in Price Waterhouse's June 1991 report.

Assets are frozen and liquidator appointed

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ASIAN BUSINESSES

Anger over Pakistani executives and role of Bank

By Khozem Merchant

ASIAN businessmen's anger appears to be evenly directed at the Bank of England and BCCI's largely Pakistani executives whose alleged fraud led to the bank's closure.

Many favour bringing the senior BCCI executives to book.

Bitterness over the UK central bank's role extends to the judgment of Mr Robin Leigh-Pemberton, its governor. "The inquiry is a very wel-

come consequence of the pressure that was mounted," said Mr Amrik Sahota, chairman of the Institute of Asian Businesses (IAB), which represents some 400 West Midlands enterprises, many with a turnover of up to £25m.

Mr Sahota, who led a delegation to the Bank of England last Friday, said: "This affair has reflected badly on all parties. There is much confusion over the way the Bank acted,

the timing, the information the Bank had and how it used it; whether the Bank exhausted all avenues for getting more funding from the Abu Dhabi owners; and, if these people were prepared to inject more money into BCCI, was the Bank right in shutting down BCCI."

"And if, as it appears, Asian bankers have done wrong, then that too should come out," Mr Mohammed Riaz, Conser-

vative parliamentary candidate for Bradford North, who also separately presented Asian grievances to Mr Leigh-Pemberton, says the inquiry should also determine whether the government was involved in a cover-up.

One of Britain's biggest food wholesalers, Mr Yaqub Ali, whose Glasgow-based Castle group had a turnover of £99m in 1989-90, is damning of the Bank of England's role.

"It should have taken action earlier," he said, adding that if fraud was found those responsible should be prosecuted.

Mr Zaroosh Zaiwalla, of the London solicitors Zaiwalla, which is representing BCCI depositors with some £24m locked in the bank, says the inquiry should be given the widest possible terms of reference. "There should be no whitewash; and the guilty should be punished."

Sellafield chosen as site for nuclear waste repository

By David Fishlock and Chris Tighe

UK NIREX, the nuclear waste consortium, has identified Sellafield in Cumbria, north-west England, as the preferred site for the country's first nuclear repository of radioactive wastes.

The choice, which followed a 250m investigation of two possible locations, was announced by Dr Dick Morris, chairman of the consortium. He said Nirex would set up a subsidiary in west Cumbria to manage the project. The consortium is owned by the four state-owned nuclear companies.

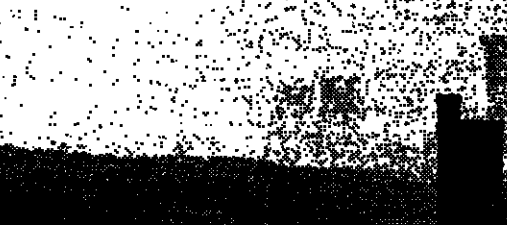
Indications that the repository will be built not within the Sellafield site but outside its present perimeter have alarmed local communities.

The opposition, the latest the nuclear industry has encountered in the region, arises from concern about the environment and safety, as well as fears of falling property prices.

Nirex estimates the lifetime cost of excavating a repository about 500 metres underground, and operating it with a staff of up to 400 for 50 years at £2.5bn-£3.5bn.

Transport costs were a major factor in choosing Sellafield instead of Dounreay in Scotland. About 60 per cent of the wastes would arise from the nearby Sellafield factory of British Nuclear Fuels (BNFL), said Dr Morris. Dounreay would remain an option should unforeseen problems arise at Sellafield.

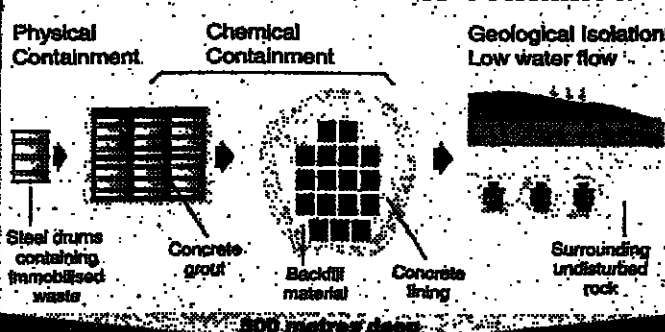
BURYING THE WASTE



Target dates

1992	Planning application submitted, further site investigations.
1993/5	Public inquiry, and ministerial decision.
1995/2005	Underground investigations and repository construction.
2005	Target date for operation.

How radioactive waste is contained



inquiry would follow.

Nirex planned to spend another year refining its design for the repository and preparing an environmental impact assessment so as to make a planning application the late next year. The government has already said a public

inquiry would follow.

The repository will consist of long, concrete-lined caverns which can be filled with drums of radioactive wastes sealed in cement. The caverns will be excavated throughout the working life of the repository, at a rate that depends on how

fast wastes are produced.

Nirex has assumed that wastes in need of disposal by the year 2005 could range from 700,000 cubic metres to 2m cubic metres.

emitting waste from reprocessing nuclear fuel. This would be vitrified and remain in surface storage at the Sellafield factory for at least 50 years, until cool

— a decision on what happens then has not yet been made. The repository is to house what is known as intermediate-

level waste, which ranges from trash contaminated with traces of plutonium to wastes from nuclear reactors, including faulty reactor parts, metal cladding from fuel filters and sludges from reactor operations.

Including the defence sector, it adds up to about 5,000 cubic metres a year. Nirex contrasts this figure with the 5m tonnes of toxic chemical wastes Britain generates annually.

Dr Gregg Butler, BNFL director responsible for the Sellafield factory, said that, effectively, no imported nuclear waste would be stored in the repository, even from overseas reprocessing, for the contracts required an equivalent amount of radioactivity to be returned to the customer.

About one-third of the wastes would come from the defence sector, mainly from the Atomic Weapons Establishment at Aldermaston and nuclear submarine bases.

The US nuclear weapon industry, run by the US Department of Energy, is showing considerable interest in British technology for packaging and storing wastes.

BNFL already has one US contract worth several million pounds but believes it could recover much more of its £2.5bn investment at Sellafield during the 1990s with substantial exports of technology to the US.

Sweden first with burial of N-waste

SEVERAL European nations, including Sweden, France, Germany, Switzerland, Finland have accepted that underground burial is the way to dispose of radioactive wastes from nuclear power and weapons programmes.

Sweden leads, with a repository for low-level and intermediate-level wastes it originally commissioned in 1989.

Last year the Swedish Final Repository (SFR) at Forsmark, close to a nuclear station about 100 miles north of Stockholm, played host to about 18,000 visitors who were enjoying Sweden's latest tourist attraction.

Behind SFR's fence, the road spirals steeply before plunging into a tunnel which travels for about 1km under the Baltic Sea, where the nuclear engineers have excavated their caverns beneath 50 metres of the granite seabed.

The visitor soon learns that "dumpling" is a most inappropriate word for the way this repository operates, and that "banking" is a better word to describe the process. Each pre-packed parcel of waste, arriving by the nuclear industry's own ship, is sourced, certified, logged in the computer, and accommodated according to its radioactive composition within the repository.

Nirex to drill boreholes in local strata

FIVE miles of boreholes have already been drilled into the rock identified as a potential subterranean shroud for radioactive wastes at Sellafield and Dounreay.

More miles will be drilled at Sellafield over the next year — five more boreholes are planned in the course of refining the design of Nirex's first repository.

The aim is to construct a detailed 3-D picture of the relatively unfractured body of rock, around 500 metres deep.

Already the rock is known to be "far stronger than we thought, far more competent", says Mr Tom McInerney, Nirex's managing director. Nirex hopes to show that any water filtering through the repository will take at least 10,000 years to find its way back to man's environment. The radwastes themselves will be isolated from this water by several impermeable barriers, as illustrated in the graphic.

Mr McInerney says he is confident Nirex could make a nuclear safety case for either Sellafield or Dounreay, but the extra cost of transporting radwastes to Calthness has weighed in favour of Sellafield. Mr McInerney estimates it will cost his nuclear consortium some tens of millions of pounds more to ready its design for a public inquiry.

BRITAIN IN BRIEF



Brewers to meet ministers

Britain's major brewers have been invited to a series of meetings with Mr Peter Lilley, trade and industry secretary, and Mr John Redwood, consumer affairs minister, to discuss the effects of their pub disposal programme on pub tenants.

More than 6,000 pub tenants have been given notice of termination of their tenancies as the brewers prepare to sell or lease pubs to meet the requirements of the government's orders to end exclusive beer supplies to large parts of their pub estates.

BA protests on slots rejected

Mr Malcolm Rifkind, transport secretary, has rejected protests from British Airways over its surrender of some take-off and landing "slots" on its London to Tokyo route to Virgin Atlantic Airways.

He told an American Chamber of Commerce lunch in London: "References to 'confiscation of slots' are entirely unfounded. No airline has a legal right to a landing or take-off slot. Rather, airlines have permission and this must be subject to the public interest."

Rise in short holidays

English holidaymakers are taking shorter but more frequent holidays in England, according to English Tourist Board figures. Short-break holidays, day trips, and visits to friends and relatives were all up in popularity, although the traditional two-week holiday is still the main type of break for the English.

School, work gap narrowed

Significant progress has been made in bridging the gap between school and work as a result of the Technical and Vocational Education Initiative, Her Majesty's Inspectorate has said.

TVEI, the government's scheme to give a practical edge to school study, has been running for seven years. More than 4,000 schools and colleges, with 850,000 14-15 year-old students, are participating. This year's budget is £134m.

Women in law still lag behind

Women solicitors have still not made the breakthrough into senior positions in solicitors' firms despite the continued rise in the number of women joining the profession.

Women now make up more than 50 per cent of newly qualified solicitors and account for almost half the 20,000 assistant solicitors in England and Wales. But only 10 per cent of them are partners according to Law Society research.

New ticket to ride for buses

London's open-platform double-decker buses are to be given a new lease of life to run into the next century. The Routemaster buses, many around 30 years old, are to be refurbished at a cost of £20,000 each, London Buses has said.

Nissan UK takes action in courts

Nissan UK has been given permission in the Court of Appeal to submit fresh evidence in what it described as a "life or death" struggle to prevent Japanese car maker Nissan Motor setting up its own UK distribution network at the end of this year.

Mr Anthony Grabner QC, for Nissan UK (NUR), called for the car importer/distributor, controlled by Mr Octav Botnar, to be granted five years in which to find an alternative franchise to Nissan. NUR has been the exclusive importer/distributor of Nissan cars for 20 years. Its associate company, AFG Holdings, owns a network of more than 180 dealerships dependent on Nissan sales. The appeal is contested and expected to last at least five days.

Decline in sales of unit trusts

Sales of unit trusts fell in the three months to the end of June, the Unit Trust Association has revealed. Gross sales were £2.5bn, down from £3.19bn, and net new investment was £427m, down from £1.247bn.

Mr Philip Warland, director general of the UTA, said the drop in gross sales could probably be explained by the heavy buying by big investment institutions in the first quarter.

Council tax bills may rise

A new band covering properties worth more than £320,000 is to be added to the government's proposed council tax, pushing up the prospective bills for many households in London and the south-east.

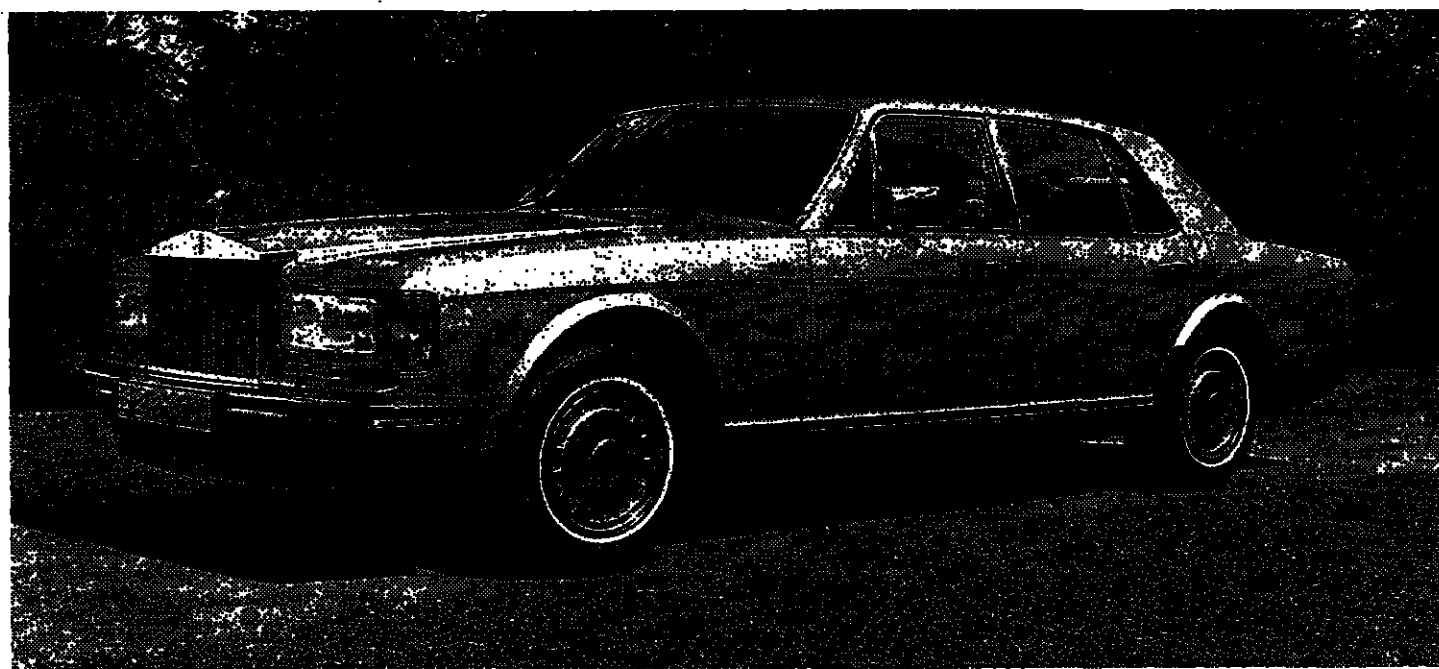
Mr Michael Heseltine, environment secretary, told the House of Commons that the government had decided to respond to intense pressure over recent months to raise the previous threshold of £160,000 for the highest bills.

Competitors gain gas sales

Fifteen per cent of new gas sold in the UK industrial market in the past year has come from companies competing with British Gas, the government has announced.

This is more than double the amount sold by competitors between June 1989 and May last year when 7 per cent of gas was sold by companies other than British Gas. The government set a target 2 years ago that 10 per cent of gas coming from new fields should be sold to the market by competitors in the hope that it would encourage more competition in gas supply.

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UK NEWS

End of Cold War brings cuts to army

By Paul Abrahams and James Buxton

SWATHING cuts in the British army were revealed yesterday by Mr Tom King, defence secretary. In spite of intense lobbying, Mr King announced that the army's infantry battalions will be slashed from 58 to 38 by 1997.

The announcement came as Mr King disclosed the new structure of the British army to the House of Commons. The number of troops will fall by more than 40,000 to about 116,000. Infantry and cavalry regiments dating back centuries will disappear.

The deep cuts represent the government's response to the end of the cold war. Mr King said the aim of the review was to sustain strong defence, but to achieve it with smaller but better equipped forces that would be more flexible and mobile.

The cutback to 38 battalions is two less than feared by senior British officers. However, some army officers had claimed before the announcement that it would be impossible for the army to meet its commitments without 41 battalions. Mr King said that with Royal Marine Commandos 41 infantry battalions would be available.

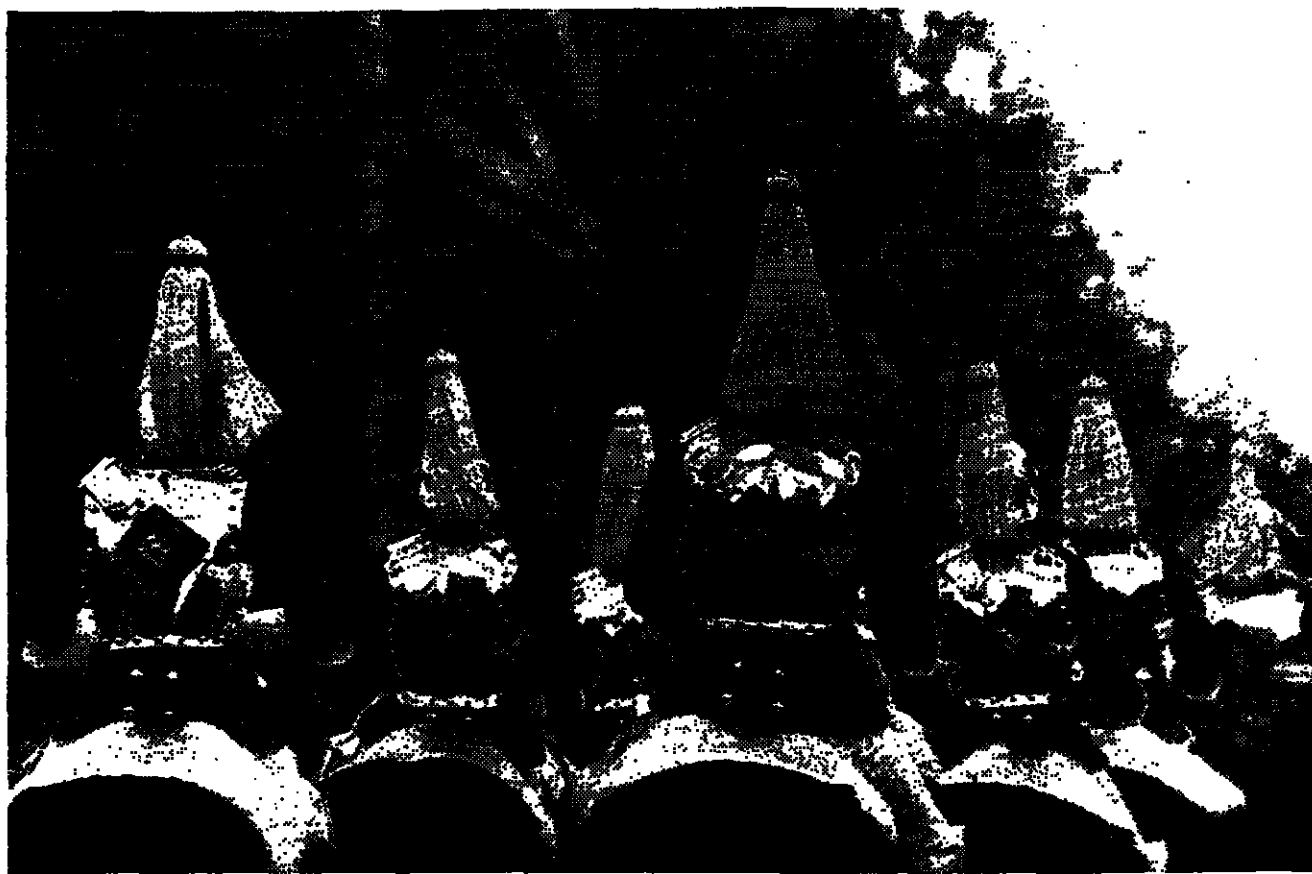
The army's 50 British infantry battalions will be reduced to 46 and four respectively by the end of 1992 and progressively until 1997 when there will be 38 battalions of which two will be Gurkha. By the mid-1990s, the 11 armoured and armoured reconnaissance regiments will have been reduced from 19.

In Scotland, the two Highland regiments, the Queen's Own Highlanders and Gordon Highlanders, and two Lowland units, the King's Own Scottish Borderers and the Royal Scots, are to be amalgamated.

Elsewhere, the Queen's Regiment will amalgamate with the Hampshire Regiment; the Cheshire Regiment will merge with the Staffordshire Regiment; and the Gloucestershire Regiment will combine with the Duke of Edinburgh's Royal Regiment. A number of regiments will also lose a battalion.

As for cavalry, The Life Guards, The Blues and Royals, so loved by tourists visiting central London, will be fused in a single regiment, but will retain their separate identities.

The six regiments of Hussars will merge to form three regiments; the two regiments of Lancers will also combine.



Riding into history: the Life Guards, a familiar sight in London, are to merge with the Blues and Royals in one cavalry regiment. But the government said they will retain their separate identities within the new structure

while the four Royal Tank Regiments will amalgamate to form two regiments.

Meanwhile, the Territorial Army will be reduced to between 60,000 and 65,000 from 70,000. However, no final decision has been made about its future role, organisation and size.

Support units are also to be

re-organised, said Mr King. Two new Corps based on service support and equipment support are to be created, he explained. The service support corps will include the Royal Corps of Transport, the Royal Army Ordnance Corps, the Royal Pioneer Corps and the Army Catering Corps. The second new corps will be mainly

based on the Royal Electrical and Mechanical Engineers. A substantial reduction in the 38,000 civilians employed by the army in the UK was also disclosed by Mr King.

Mr King said that factors considered in arriving at these decisions included past and present manning patterns, future recruitment projections,

previous amalgamations, the need to retain appropriate geographical representation of units throughout the country and emerging accommodation, deployment and equipment plans.

A substantial redundancy programme among officers and NCOs will be required to ensure the reduced level of forces, admitted Mr King.

He said that while most reductions would be achieved through natural wastage and voluntary redundancy, some compulsory redundancies were inevitable. The first tranche of redundancies will be in 1992-3.

There was disappointment and anger in army circles in Scotland that four of the seven Scottish regiments are to be amalgamated.

The Scottish regiments had refused to propose their own amalgamations to the Ministry of Defence, arguing that Scotland was a better recruiting ground than other parts of Britain, and that the effect of unemployment would be felt more strongly. But this appears to have cut little ice with the Army board.

BT strikes deal with Ofcom on competition

By Hugo Dixon

BT will not be referred to the Monopolies and Mergers Commission, the UK regulatory body, following a deal on how the telecommunications market should be opened up to competition with Ofcom, the industry's watchdog.

The details of the deal, which is described as an extremely complex package, are expected to be announced today.

They will be scrutinised to see whether BT or Ofcom both of which have taken entrenched positions in recent weeks, have in fact climbed down. The agreement will free the government to proceed with plans to privatise all or part of its remaining stake in BT later this year.

It will also allow the government's new, more competitive telecommunications policy to be implemented, including a 10 per cent cut in international call charges.

The deal is surprising given a tough statement by Mr Ian Walpole, BT's chairman, to the company's annual general meeting last week that he would prefer to go to the MMC than accept Ofcom's plan.

Ofcom had previously gone back on an earlier deal with the company that would have allowed it to charge competitors special access fees for using its local network.

BT appears to have decided it had more to lose than gain from an MMC referral. The two sides have been locked in negotiations since last week, culminating in a deal which was put to BT's board for approval.

BT had originally hoped to be allowed to increase its quarterly rental charges sharply in exchange for agreeing to Ofcom's about turn on access fees. But the new deal is understood not to give the company much leeway in this regard.

The new deal is understood to differ from Ofcom's previous proposals without amounting to a substantial concession to BT. "The cards have been thrown up and have landed in a different way," said one person who had seen the details.

The deal is understood to be an interim arrangement. BT's prices are to be investigated again by Ofcom next year.

Treasury likely to overshoot spending targets

By Philip Stephens, Political Editor

A RISE of £1.1bn in the Treasury's grant to local authorities yesterday set the stage for a large overshoot in the government's spending and borrowing limits.

After cabinet discussion about the economic outlook, ministers said the Treasury was now certain to break through both its £23.5bn spending target for this year and the £22.1bn pencilled in for 1992-93. Public borrowing, forecast at £2bn and £1.2bn respectively, is also set to overshoot.

Mr Michael Heseltine, the environment secretary, said the extra local authority grant and a tight "cap" on council spending would mean that next April's community charge (per capita tax for local services) - the last before abolition - should rise only slightly.

The figures, however, were hotly disputed by local authorities and opposition parties. They claimed that grant increases fell far short of the amount needed to prevent

either sharp cuts in services or large rises in individual bills. Mr Heseltine set a figure of £41.8bn for local authority spending next year, a 7.2 per cent increase on the target for the current year but a rise of only about 4.5 per cent on actual outlays this year.

Mr Norman Lamont, the chancellor of the exchequer, reinforced a call at the cabinet for tight controls on public spending with a prediction that inflation might fall to as low as 3.5 per cent by December.

Privately, however, senior ministers admit that, with a general election looming, it will be impossible to resist large bids for more funds in health, education and transport. The economic recession has already added billions to social security benefit costs.

The main Whitehall spending departments have submitted bids to the Treasury for about £15bn in extra funds, with many arguing that the Citizen's Charter will not work without extra cash.

Lilley calls on US to reverse jet decision

By Charles Leadbeater

MR PETER LILLEY, the British trade and industry secretary, yesterday called on the US government to reverse its decision not to grant a re-export licence to British Aerospace covering the planned export to Iran of six BAe 146 aircraft.

Mr Lilley said the government was bitter that its repeated advice that the order should be given clearance had been ignored by Washington.

In an unusually frank public statement of the British government's public disagreement with US technology and trade policies, Mr Lilley attacked the decision as inconsistent, given the recent US approval for the export to Iran of similar aircraft by Fokker, the Dutch aircraft manufacturer.

Both the Fokker F100 and BAe 146 include US made components although the Dutch

aircraft has less US input than its British rival. The US State Department is reportedly concerned about the export of sensitive technology to a state which continues to support terrorism.

The wings, avionics and engines for the BAe aircraft in the order were manufactured in the US.

Mr Lilley disclosed that at a meeting in July with the US Ambassador to London he had pressed for the order to be approved and Mr Douglas Hurd, the foreign secretary, recently raised the issue with his counterpart Mr James Baker.

Mr Lilley said: "I greatly regret that the US administration could not accept our judgement on the matter particularly given that the US has already authorised the export of competing aircraft."

MANAGEMENT

Global strategy

Banking on boulevards to build the business

David Lascelles investigates Citibank's operations in 40 countries

If there were a contest in the banking business for the most "global" bank, there is little doubt which would win: Citibank. Indeed, the large New York bank is probably the only member of the industry which can even lay claim to such a title.

Other banks may have wide international networks serving the multinational corporations, but Citibank is also moving into the high streets, the boulevards, and the piazzas to win the banking business of the private individual.

In its latest annual report, the bank says: "Our global vision of 'Citibanking' is taking shape in 40 countries where we are serving 34.5m households, including 24m in the US, one in every four families." At the latest count, it had 1,680 branches, only a third of which (551) are in the US. Of the rest, 682 are in Europe (mainly Germany, Belgium and Spain), 195 in Asia and Japan, and 253 in Latin America. It also has 41m credit card holders, 10m outside the US.

"What is distinctive about us is our 'globality' and our consumer business," says John Reed, the chairman, who emphasises that neither feature is to be sacrificed in the reordering of priorities made necessary by the group's recent loan losses and its need to conserve capital. Citibank has been building this business for 17 years, he says, and it needs another eight to complete the task.

Citibank's determination to create a global consumer banking network is unique in another sense. It is the only bank which believes that such a feat is possible. Other big retail banks, like the British and French, have pulled back from retail banking in far-flung continents - often after losing large sums of money at it - and are concentrating their efforts closer to home. Large US banks like Chase Manhattan are selling out of overseas retail banking. The Japanese have limited their efforts to the Californian market.

The Citibank drive stems from a number of things. The

bank has a long international tradition; it has been 90 years in Japan, for example, a country where it now has 13 branches and is the only foreign bank to have made a serious attempt to tap the local retail market.

Citibank is also predominantly a retail bank, both by culture and earnings. Reed spent his early career on that side of the group, and for the past two years, global consumer banking has been the largest divisional profit-earner.

This is backed by a strong commitment to banking technology. Citibank makes its own cash machines and has built some of the world's most advanced credit card processing centres.

The cash machines in its US and Japanese branches are already linked, and Germany, Singapore and Hong Kong will join soon. Eventually, Citibank hopes to link all its branches and cash machines into a single global network.

Inevitably, analogies with other worldwide retailing businesses like McDonald's spring to mind. In one sense they are misleading because banking is a more complex business than selling hamburgers. But in another they are helpful.

The Citibank global franchise, as executives like to call it, is built on the idea that consumer banking needs are basically the same the world over,

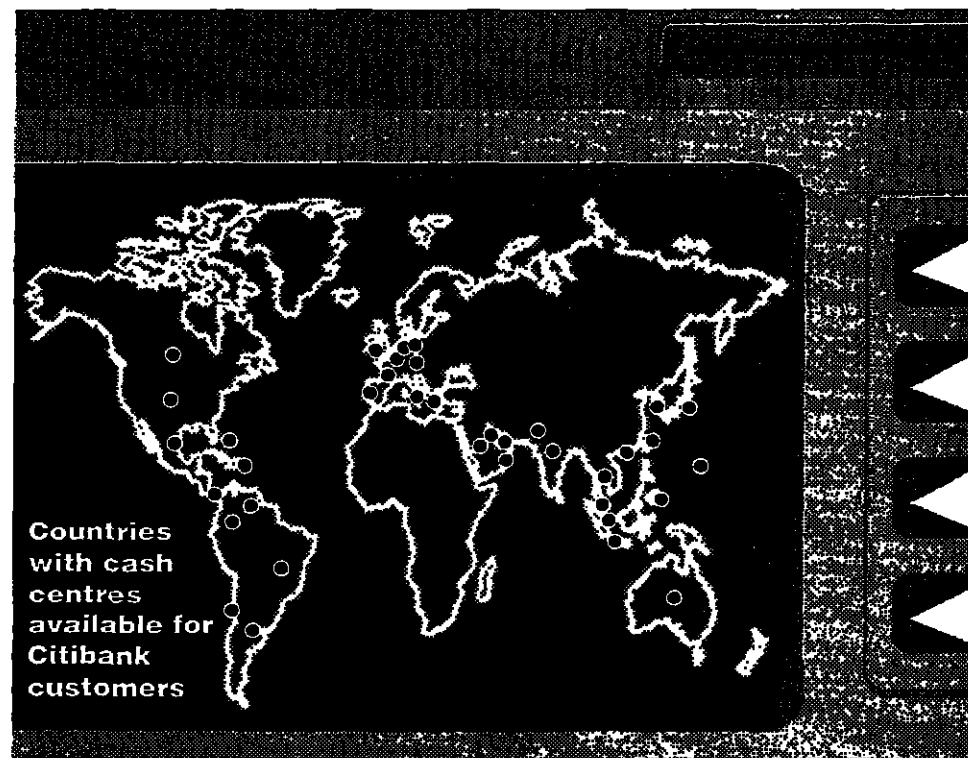
with some local variations. Branches tend to look the same whether they are in Kuala Lumpur or Brussels. The technology is being standardised. The product range is similar, and where possible, Citibank's name is over the door.

The service is built round a few basic products, usually the Citibank account, which combines a cheque account with a credit line and a savings account, and is pulled together with a single statement. Account holders have a Citicard to get cash and information out of machines. They can use this in foreign Citibank branches which are hooked up to the system.

Quality is controlled through common operating manuals and training. Individual country operations are named Citibank only when they conform to the required standard.

However, Citibank executives prefer to play down the standardising aspects of their business. They say the emphasis is on developing individual country markets, and only then linking them together.

The local emphasis reflects Citibank's policy of becoming what it calls "a relevant player" in individual markets. Wherever possible, it joins the local bank clearing system to enhance its credibility and achieve the critical mass it aims for. This helps it to overcome the barriers that banks



always face when attacking a foreign retail market. The group's recent financial problems have also raised worries in Citibank that its customers might think it was about to withdraw from their country.

So there is a determination to emphasise commitment. According to Reed, one of the important attractions of global banking is its high profitability. Although the group does not break down results into individual countries, Citibank says it makes money in the majority of its overseas retail banking operations (admitted exceptions are Japan and Italy). In many, the rate of return is considerably higher than in the highly regulated US market. One executive says

of the losses Citibank has recently suffered on its US lending business: "Let's face it. If we were just a New York bank, we'd be bust."

What is less clear is whether Citibank derives any added earnings benefit from having such an extended retail network. Victor Meneses, who heads the European retail business, admits that only 5 per cent of Citibank customers care whether they can use their Citicard abroad, so the marketing edge is very small.

There are some economies of scale in equipping and running a standardised global network, particularly in smaller countries with only a handful of branches, but these are not quantified. The fact that Citibank

takes in a large volume of deposits in many different countries also helps its liquidity.

However, one gets the impression that the global nature of the bank's operations is driven to a large extent by Citibank's inherent sense of ambition, as well as by its fascination with the idea of creating a global, technologically linked banking system.

Another question is whether Citibank can hold on to its global ambitions while it tries to sort out its balance sheet problems. Reed's new policy emphasises short-term results, rather than the long-term commitment needed to build a retail banking business. He also wants to squeeze \$1.5bn a year out of the system.

Hilmar Kopper, chief executive of Deutsche Bank, recently provided some support for Citibank's ambitions when he told a conference at which Reed was present: "We'd better concentrate on being successful at home in the medium term and think twice before we go global." But he hastened to add that Reed had good reason to "hold on" to his global ambitions.

Paul Collins, Citibank's vice-chairman, says he believes the bank can sustain its global ambitions so long as it overcomes its problems within two or three years. (The current target is 1993). But much longer than that and the strains might force it to reconsider.

Corporate culture

Benefits of an 'open' company

By Andrew Jack

An "open" company is one in which the general management style is to delegate responsibility in an attempt to foster employee involvement, personal initiative and generate effective internal communications.

But is this style anything more than trendy hype? A report by Smythe Horward Lambert, a British communications consultancy firm, sets out to investigate.

Using a questionnaire and a series of detailed interviews with chief executives, the firm concludes that open companies in the UK tend to be more commercially successful and have little to learn about openness from their continental European or North American counterparts.

The researchers drew up a list of 1,000 top companies and ranked them according to seven indicators of performance during 1990, including earnings per share growth, pre-tax profits and return on capital.

They selected 125 companies from the top quarter of the sample on at least three of the rankings and 125 from the lowest quarter.

Thirty of the respondents came from the top quarter and 16 from the bottom quarter. Each was then classified as "open" or "less open" based on eight criteria, including management culture and style, internal communication and employee share ownership.

The result suggests that better performers are more open: 25 of the 30 best companies were open, compared with only five which were in the bottom 16.

Three of the worst performers were "really closed," in the Ice Age, according to Collette Horward, a partner in the firm.

ness may have contributed to the outcomes described. The companies had clear ideas of what being more open means: focusing more on employees; orientating the companies around achievements; placing more reliance on trust, respect and communication than on rules and procedures; and fostering among employees a sense of shared purpose.

The most important reason cited for becoming more open was the effect of changing market conditions, including globalisation of business, increased competition, new technology, the growth in decentralised control of the corporation, and increased social awareness and corporate responsibility.

The respondents argued that the benefits of being open included increased flexibility, cohesion across the company, increased employee commitment and better decision-making.

Two thirds of the companies had undertaken cultural change programmes to restructure the way in which they are run, but surprisingly that included all the poorer performers.

The best approaches appeared to come as a result of his: articulation of a clear mission; internal communication; and employee involvement and participation.

"We found that change is driving most organisations," says Horward. "But evolutionary change worked far more successfully than a 'Big Bang' programme of change implemented all at once."

A final, unexpected finding, she says, was that none of the companies used worker councils, as they are defined under the draft European social charter.

Managers were nervous about any legislation that would formalise employee participation. The power of the open company, July 1991, Smythe Horward Lambert, Julia House, 40-42 Newman Street, London W1P 3PA.

Long haul to win acceptance in Japan

Masamoto Yashiro has a rare view over the Imperial Palace from his downtown Tokyo office. His job is equally rare - to build a foreign-owned retail banking business in Japan.

As head of Citibank's Japanese operation, he hopes to have nearly 20 branches by the end of this year. But it has been a long haul. Ten years ago, foreign banks were not allowed to have branches. It was only last year that other Japanese banks allowed Citibank to join their cash machine association, an important sign of acceptance.

Today, Citibank has 250,000 personal accounts and employs 550 people to run its retail banking business. Branches are

in big centres like Tokyo, Osaka, Yokohama, Nagoya and Kobe. Citibank also issues credit cards to 100,000 people.

Yashiro admits that the operation loses money - about \$20m a year. But he blames that largely on Japan's highly regulated interest rate system which favours domestic banks with plentiful sources of cheap retail deposits. He expects to start making a profit when those regulations are phased out by 1994.

The Citibank strategy is to provide specialised services which attract the more upmarket, internationally-minded customer.

The bank offers multi-currency accounts for people who like to track for-

sign exchange movements. Since the spring, account holders have also been able to use their cash cards in Citibank's US branches.

"We are so small here that we can't compete directly with the big banks," he says. "But with special products we can. No matter how big Dai-ichi Kangyo and Fuji are, they can't compete with us in global terms."

Yashiro rules out acquisition as a route for expansion; Japanese banks are too expensive, and anyway Citicorp is short of capital.

The chosen route is steady expansion of the branch network, with Tokyo and Osaka the favoured markets.

ARTS

New York
Summer
Music

The demise of Popcorn Summerfest has left New York - sweltering in its record-breaking hundred-degree heat, day after day - without challenging, arresting musical activity. But a new festival has started: Tillesfest, out on Long Island, on the Post campus of Long Island University. It's an agreeable, tree-shaded place - once Emily Meriwether Post's estate, and now provided with the best large concert hall (holding 2,200) in or around New York.

Visiting orchestras often appear there; Kurt Masur did so with his Leipzig orchestra, and now, as conductor-designate of the New York Philharmonic, he gave his enthusiastic support to a Tillesfest Philharmonic festival. Weekends were devoted to American music (conducted by Christopher Keene), to Mozart (conducted by Erich Leinsdorf), and to Mendelssohn (conducted by Masur). Before the orchestra concerts, Philharmonic players played chamber music.

In the *Nation* Symphony and the *Midsummer Night's Dream* music the Philharmonic under Masur was an orchestra transformed - playing with delicacy and poetry that I don't remember from them since I heard them under Bruno Walter's baton. A triple spell was perhaps at work: the spacious, favouring Tilles acoustics, the adept players' two friends respectively and respect for their new conductor, and Mendelssohnian summer magic.

Other excursions from New York festivals continue. Caramoor, to the north, this year had nothing of special attraction. But, to the west, the Waterloo Festival offered an evening of Carl Nielsen's "Inextinguishable," preceded by the Sibelius Violin Concerto played by Gil Shaham. Waterloo Village, 50 miles from New York, was once a New Jersey town, then a busy port on the Morris Canal. When railroads put paid to waterways, it became a deserted village. Two friends bought it bit by bit, from 1946, and restored its surviving buildings; and now it is a beautiful, romantic place beside the water, hard to reach but worth reaching. Through the woods and the meadows fireflies sparkle as darkness falls.

The Waterloo Festival Orchestra, which plays in a concert tent on the outskirts of the village, unites crack young students with their crack instructors. Richard Bradshaw, conducting, furthered Shaham's passionate performance of the Sibelius concerto, and gave a wonderfully gripping account of the *Inextinguishable*, holding Nielsen's long line unbroken.

In New York itself, various venerable institutions are playing pop works in various parks, to monster audiences - but through magnification that makes any musical considerations irrelevant. On Lincoln Center, the City Opera and Mostly Mozart are active. I'll report on these when they reach climaxes - the first with its "cell-girl" *Traviata*, the other with Roger Norrington's "1789" Mozart Weekends also due in London next month.

Andrew Porter

TELEVISION

Low expectations from the Thatcher years

When there is already a film version of *Great Expectations* as good as David Lean's 1946 production what is the point of re-making it unless you think you can do better? The answer in the case of ITV's six part serialisation which began on Sunday would seem to be: so that the producers (ITV, Prime-time and Disney) can make some money out of it. But then why remind everybody of the earlier and superior version by choosing to imitate rather than imitate the superb opening scene where Magwitch confronts young Pip in the cemetery on the Essex marshes? It is one of the most famous and memorable sequences in cinema history, but there is no rule that a dramatisation of the book has to start there. Some would assume deliberate homage to Lean, others sheer folly. Still, by and large the new adaptation seems workmanlike.

Posterity will surely see the influence of Thatcherism on television as sadly malign. Judging by the sequence of startling leaks, mostly engineered by my FT colleague Ray Snoddy, concerning the size of the bids that have been made in the blind auction for the TV franchises, unless the Independent Television Commission (ITC) under George Russell has the nerve to drive a coach and horses through the new legislation, we may be facing the decline and even destruction of high quality British commercial television after a life of just 40 years.

The prospect of a company as out-standing as Granada (once voted "the best television company in the world" by America's respected *Channel* magazine) being driven out of network television by being out-bid is bad enough. Perhaps Granada would remain in programme production as an independent, selling *Coronation Street* to the highest bidder... which might well be the BBC. Even more dispiriting, though, is the prospect, which now seems likely, of the ITV companies being driven into

intense ratings competition and simultaneous cost-cutting in order to produce the vast sums they have been promising to the government in order to win the franchises in the first place.

There will be no difficulty in deciding where the blame lies for the resulting collapse in programme quality. It was the greed, malice, and philistinism of Thatcherite politicians - great for tax revenue, malice against broadcasters, philistinism towards all the arts - which got us into this mess, a mess which now seems likely to end one of the rare remaining ways in which Britain led the world. These politicians with their obsession about the price of everything and their ignorance about the value of anything were convinced that what mattered about television was money. Being politicians, it never seems to have occurred to them that for normal people what matters about television is the programmes, and British commercial television programmes have been extraordinarily good.

The other appalling Thatcherite effect upon broadcasting has been the proliferation of regulation. While pretending to a desire to preserve quangos and roll back the boundaries of the state the Thatcherites have actually lashed British broadcasting into a complicated straitjacket of rules and regulatory organisations, the like of which is rarely seen outside the boundaries of totalitarian China. To watch French, Italian, German or Spanish television these days and then come back and watch in Britain is like moving from the adult lending library back into the infants' section.

The impossible position in which broadcasters have to work was illustrated last week by the simultaneous publication of the ITC's quarterly programme Complaints and Interventions Report and the annual report of the Broadcasting Standards Council. One film shown by Channel 4 which

had been declared "beyond acceptable limits" by the BSC (*W.R. Mysteries Of The Organism*) had, according to the other report, been pre-viewed by the ITC and approved for transmission. Most British viewers neither need nor want this sort of busybody idiocy from the BSC, and the sooner Mr Major can distance himself from the old Thatcher crowd and close it down, the better.

That said, there is at present a most unusual rash of programmes about sex. In the main they are timid compared with what you might expect nowadays in Holland, say, or Denmark. This week's *Heart Of The Matter*, for instance, dealt with the debate about legalising prostitution by strolling round all the predictable bases, especially those occupied by clergymen. Earlier in the week, in *Thighs, Lies And Beauty*, BBC1 sent out two women to "try to discover the origins of the modern view that wrinkles, double chins, hairy armpits, fat tummies and small breasts are unattractive" (as distinct from the old view, presumably, that they are all simply super).

Repeated rhetorical questions of the "Why on earth do we do it" variety, applied to mud packs, hair-dos and so on, were answered every time with the same sort of excuse: poor ickle women are "pressured" into these things by great big macho marketing men. As in the old joke about the boring pilgrim "Oh God, why me, why me" etc, followed eventually by the bolt of lightning and the thunderous voice declaring "Because you gave me the pip" one longed for one of those "Why oh whys" to receive the bellowed response from heaven "Because you're so damned vain".

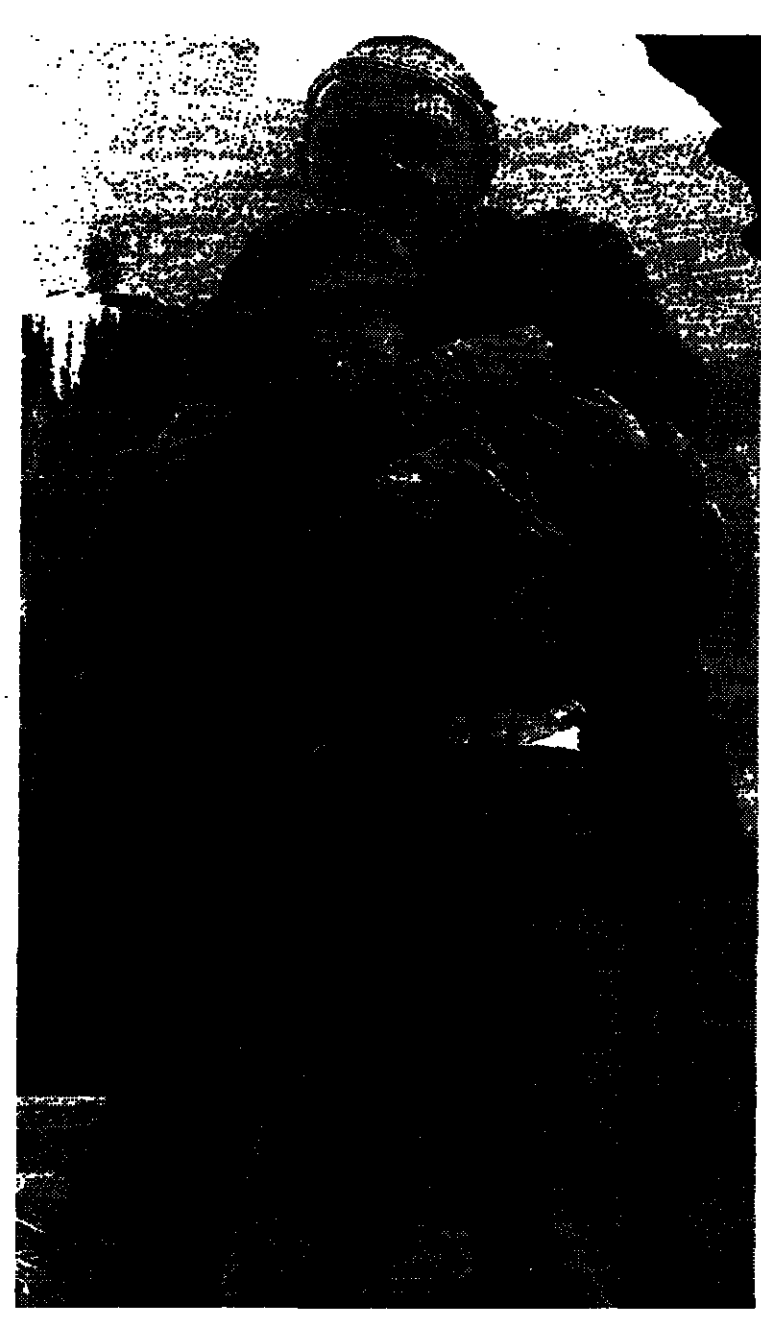
At the weekend came the first of the ITV series *Sex Now* which, unless my ears were bad, claimed that "According to our survey people are more sexually active now than ever before". It makes you wonder which particular set of figures they are

using for, say, the year 1423. Germaine Greer whose attitudes towards sex in the 1960s were completely cockeyed, as she blithely admitted here, is now busy getting them even more ludicrously wrong in the nineties. But you have to admire the woman: no matter how loony her ideas she always manages to get paid to pontificate about them on television.

The week did, however, bring one collector's item in the sex category: *From Wimps To Warriors* on sado-masochism. True, BBC2 made virtually certain that you would miss it by scheduling it for 9.45 and then showing it at about midnight, presumably because some bigwig had seen (or heard about) it and taken fright. It was by turns funny, sad, and heartening. Funny because of the sheer complexity of some of the gear involved: would you believe a dog suit inside which the man's testicles are tied to the upper part of his body so that he has to remain on all fours while his mistress walks him on a lead in a public park? We watched them. Sad because some of it seems so grubby and graceless - those horrifying zipped leather helmets, for instance. But heartening because the people involved seemed so ordinary and quiet and on the whole rather sweet.

I can imagine the raised eyebrows already, and sense the eyes streaking back up the column to check that earlier phrase: sado-masochism is "infants' section" television, eh? No, this was of course an exception - but would it not better for children to see those people pleasing one another, in however bizarre a manner, than to watch more of television's usual shootings and knifings and hatred? You would have to be a real BSC type to take exception to a programme about people who are so clearly supplying one another with what makes them happy.

Christopher Dunkley Martin Harvey and Anthony Hopkins in 'Great Expectations'



Dead Sheep

BUSH THEATRE, W12

Catherine Johnson's funny and shocking new play has the rare knack of making you roar with laughter at the same time as punching you in the solar plexus. Three ex-addicts, the proverbial lost sheep, are spending a weekend climbing in the Welsh mountains. They have two guides - the ferocious John, graduate of *Coronation Street* to the highest bidder - and tend to their physical survival, and Philip, director of a rehabilitation centre and self-styled shepherd of their souls.

In a first act that bristles with scurrilous insights, Johnson explores the funny little inadequacies of the three women patients. There is Zoe, a naïvely enchanting Kate Hardie, whose survival skills stop short of being able to deal with a tin of tinned corn. And there is Gwen Taylor's pudging Eve, collector of blisters and deflator

of enthusiasms, and there is Holly (Kathrin Cartledge), whose khol-smear eyes glisten with tears for her husband, who has recently died from a heroin overdose.

On a stage of real turf flanked by outcrops of rock, they set up camp and prepare for the final ascent. Through the almost clownlike humour of their preparations Johnson is making a serious point that they are as vulnerable to the spiritual bullying of their guru as to the fleshly innuendo of their guide. In the second act, this is turned to catastrophic account as they set up off the mountain, roped together so that if one falls they all do. With an inevitability that only becomes clear in retrospect, disaster strikes.

It would seem childish to give too much away, except to say that in a final confrontation of explosive logic it emerges that

Johnson's real concern is with the emotional stability, not of the flock, but of the shepherd. Bravely and bizarrely, the part of Philip is played by a dwarf, Jon Key. It is bizarre because of the focus Key provides for Johnson's cruel black humour (especially in contrast with the gleaming muscles of Gary Love's John), and brave because of the way spiritual stature is reflected in physical appearance.

The whole thing could so easily tip over into bad taste, but it is held in a disarming balance by Mike Bradwell, under whose direction the humanity of the characterisation provides an anchor for the inhumanity of the plot. The design (Geoff Rose) and the acting could hardly be better.

Claire Armitstead

Edmond

THE OLD FIRE STATION, OXFORD

David Mamet is the man who brought shorter, quicker plays to the American theatre. One only wished this production of *Edmond* at The Old Fire Station, Oxford was shorter and quicker too. This was an unenlightened performance of a dispiriting play.

Mamet's talents are widespread, involved in several media. In the theatre, the sharp dialogue of *American Buffalo* or *Sexual Perversity* fixes a character with a few monosyllables. For film, he has written the intricately-plotted screenplay of *House of Games*. And he has gathered essays and lectures enlivened by wry charm in *Writing in Restaurants*.

This play, *Edmond* is not one of his best, and needs a good production to keep its issues alive; here they needed life support. But they are worth reviving: is our behaviour determined by our genes or our envi-

ronment? what choices do we have in the matter? Mamet gives Edmond enough self-awareness to make him smart, enough prejudice to make him unpleasant, but never enough insight to make him thoughtful. Wisdom comes in small nuggets from the Mamet shovel.

There is no plot, just a one-way ticket from prosperity to wretchedness: Seville Row to sild row. Edmond quits his married middle-class comfort after a tiff with his wife; he walks out on her, and in on a series of prostitutes, co-ten, muggers and street-smart urbanites. In the message parlour, the sleazy motel, or at the pawn broker, Edmond learns the rules of each game afresh. Eventually, he masters a little self respect, mistakes his new-found aggressiveness for assertiveness, and in a fit of rage, murders a waitress he has just slept with. He ends up doing time in "Club

Fed."

The staging is really the culprit here; a good galvanised steel set was made to look cumbersome and awkward by the protracted scene shifting. The job of a Mamet director is to speed the play, and in this Jonathan Mech was let down by his lighting designer. There are some good scenes, however, particularly those between Edmond and his murder victim, and then between suspect and police inspector down at the station.

The play leaves one feeling that a Shakespeare sonnet, a Dr Johnson paragraph, or one of Mamet's own essays would say more about who we are and how we should conduct ourselves than the characters in *Edmond*.

Andrew St George

A Midsummer Night's Dream

AIX-EN-PROVENCE FESTIVAL

Thirty-one years old now, Britten's Shakespeare opera has maintained an ambiguous reputation. Musically it boasts an inspired economy, tant and telling, which answers to Peter Pears' radical trimming-down of the text. Dramatically, it has sometimes seemed to confine the story to picturesque anamias: good fairy effects, but only a few windows on a richer human world. The lovers' Awakening quartet, Bottom's remembered dream, the rude parodies of Bellini and Donizetti for the "Pyramus" play-within-the-play. The new *Dream* at Aix is quite different, and it is enjoying a huge, wholly deserved success. (The last performances are on Friday, Monday and Thursday next.)

In a properly organised world, this production would already be headed for London; but its Aix predecessor just two years ago, an exhilarating version of Purcell's *Fairy Queen* (on the same play) by Les Arts Florissants and a contingent from the RSC - expensive, admittedly - never found the funds to strut at home. That must not be the fate of this *Dream*. I hadn't imagined that the piece could be staged as brightly, freshly and consistently as Robert Carsen has done here, in perfect sympathy with Michael Levine's crisply witty designs. Given the lively cast and the conductor Stuart Bedford's knowledgeable hand,

the performance was an unmitigated delight, and something of a revelation. Where the new Aix *Figaro*, two nights before, made one recall how much more skilfully Peter Hall had managed Mozart's garden-scene at Glyndebourne, the Carsen and Levine *Dream* makes Hall's version seem neo-Edwardian, irrelevantly pretty. Whatever Britten might have envisaged, his fairy music isn't picturesque but cool and strange - it doesn't twinkle or scurry like Mendelssohn's. In the Aix version James Bowman's languid, crooning Oberon is a Noel Coward figure, in a swish green dressing-gown to match his hair, and Lilian Watson's archly carolling Titania has more than a touch of Prunella Scales. The elfin trelles are a blank tribe of *mittel-Europäische* hotel staff, wingless but sporting clone 'taches in Oberon's preferred colour.

Though the production does nothing to rebut Edith Cranston's recent diagnosis of Englishmen, it reveals further degrees of erotic complexity. In the first act Levine's plain landscape soon proves to be a giant green quilt for a two-pilow bed; for the second it becomes a whole school-dormitory of beds, and the third begins with the crucial ones - containing Titania/Bottom, Helena/Lysander, Hermia/De-metrius - suspended in mid-air. On the other hand, the

pederastic hints have been erased: the "changeling boy" for whom Oberon and Titania contend is a mere baby doll, and Puck is a wildly athletic middle-aged comedian (the brilliant Emil Wolk) instead of the prescribed ballet-dancer in his early teens. The scene in which Oberon subjects him to a kind of electrical torture loses its misty S-M overtones and becomes virtuoso slapstick.

The frantic lovers are expert: Juliet Booth's Helena unguardedly intones (if equally at the top - first-night nerves, no doubt), Brian James' Hermia dark and sexy, their swains John Graham-Hall and Gerald Finley intelligent, comically distraught and vulnerable. The excellent troupe of mechanicals, led by Roderick Kennard's upstanding Bottom (too gallant to overween much, and therefore only mildly funny), is graced by Donald Adams' warmly anxious Peter Quince and Christopher Gillett's twitchy, touching Puck. For once their low comedy seems the right episode in the right place, and not just *Carry On* foolery wheeled on for a last-minute rescue. The proportions of the opera seem cleverer than ever, its lovers cartoons funnier and more humane; it looks like lasting for a good long while.

David Murray

INTERNATIONAL
ARTS
GUIDE
TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Augustin Dumay and Maria Jose Fries give a violin and piano recital, including Brahms' Sonata in G and Beethoven's Kreutzer Sonata. Tomorrow: recital by winner of the 1991 Gina Bachauer International Piano Competition. Sun: Heinrich Schiff and Tzimon Barto (6718 345)

ATHENS

Herod Atticus Theater 21.00 Concert by Berlin Radio Chorus, including music by Mikis Theodorakis, repeated tomorrow (322 143)

COLOGNE

Philharmonie 20.00 Ken Hill's 1970s version of the musical *The Phantom of the Opera*, preading the version by Andrew Lloyd Webber. Runs till Aug 4 except Mon, with matinee and evening performances on Sat and Sun (2801)

GENEVA

Hôtel de Ville 20.30 Elizabeth

Chojnacka gives a harpsichord recital, with music ranging from Rameau to Ligeti and Ohana. Sun: Thomas Demenga gives a solo cello recital with music by Heinz Holliger, Klaus Huber, Berio and Britten (289922)

HEIDELBERG

Stadthalle 20.00 Piano recital by Michael Ponti, with music by Liszt and Chopin. Sun: Cool fan tute at Heidelberg Castle. Sun: concert of sacred music by Mozart and Pergolesi in the Peterskirche. The Heidelberg Castle Festival runs till September (06221-583521)

LONDON

DANCE Coliseum 19.30 Ballet Nacional de España in a programme of five works, including *Alvaro* Lorca's flamenco display *Ritmos* and Jose Granero's *Medea*. Repeated tomorrow and Fri, with matinee and evening performances on Sat (071-838 3161)

MUSIC

Convent Garden 20.00 Mark Ermler conducts Elijah Moshinsky's production of *Attila*, with Barzeg Tumanyan in title role, Karen Huffstodt as Odabella and Dennis O'Neill as Foresto, also Fri. Tomorrow and Sat: La fanciulla del West, with Mara Zampieri as Minnie (071-240 1086) Royal Festival Hall 19.30 Alexander Nevsky: screening with English subtitles of the complete Eisenstein film, with Prokofiev's music performed live by the Royal Philharmonic Orchestra conducted by Yuri Temirkanov, with Christine Cairns and the Brighton Festival Chorus. Repeated tomorrow

(071-928 8800) Queen Elizabeth Hall 19.45 Emma Johnson, clarinet, joins the Endellion Quartet for a chamber music programme including Brahms Clarinet Quintet. Sat: Atar Arad joins the Endellion for two Mozart string quintets. Sun: Norbert Brainin, Martin Lovett and Arthur Pizarro join the Endellion in a performance of Brahms' String Sextet No 1 (071-928 8800) Royal Albert Hall 19.30 Andrew Litton conducts the Bournemouth Symphony Orchestra in Gershwin's Cuban Overture and the second symphonies of Bernstein and Sibelius. Tomorrow: Sabine Meyer plays Mozart's Clarinet Concerto. Fri: Edward Downes conducts Elgar, Dvorak and Holloway (071-922 9998)

THEATRE

New Shakespeare Company: Judi Dench directs *The Boys from Syracuse* (Open Air Theatre, Regents Park), the Richard Rodgers musical based on Shakespeare's *Comedy of Errors*, including songs such as *This Can't Be Love*. The cast is led by Peter Woodward, Louise Gold and Richard O'Callaghan. Opening tonight, runs till early September, no performances on Sun. NSC productions of *Macbeth* and *A Midsummer Night's Dream* return to the repertory in early August. Royal Shakespeare Company: Ian Judge's colourful, camp production of *The Comedy of Errors* is showing tonight and tomorrow (Barbican). On Fri and Sat, the company presents Chekhov's *The Seagull*, with a cast including Susan Fleetwood, Simon Russell Beale and Roger Allam, directed by Terry Hands. In *The Pit*, the RSC has Sam Mendes' production

of *Troilus and Cressida* tonight and tomorrow, followed on Fri and Sat by Nick Dear's version of *Troilus and Cressida* in the title role. For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUNICH

Staatoper 19.30 Valery Gergiev conducts Johannes Schaefer's production of Boris Godunov, designed by Wolfgang Gussmann. The cast is led by Paata Burchuladze, Julia Varady and Kurt Moll. Tomorrow and Sun: Silvio Varviso conducts Der Rosenkavalier. Fri: Der flegelnde Holländer. Sat: Le nozze di Figaro (221316)

NEW YORK

Philharmonie in the Parks 20.00 Zdenek Macal conducts New York Philharmonic Orchestra in a free open-air concert with fireworks at Prospect Park, Brooklyn, with a programme of Mozart's Prague Symphony and Mahler's First. Philharmonie in the Parks programme runs till July 31. For more information, call Parks Hotline (580 8700) Avery Fisher Hall 20.00 Armin Jordan conducts the Mostly Mozart Festival Orchestra in a Mozart and Schubert programme, with soloists Joshua Bell and Richard Goode. The soloists tomorrow and Fri are Emanuel Ax and Dmitry

Sitkovetsky. Sat and Sun: Roger Norrington supervises a weekend of Mozart events focusing on the year 1781 (875 5030)

New York State Theater 20.00 Steven Sloane conducts Frank Corsaro's production of *Tosca*, with Martha Tilgner in title role, Antonio Barasoda as Cavaradossi and Deborah Kerr as Scarpia, repeated on Sat at 14.00. Fri: Bize's *Pearl Fishers*. Sat evening: new production of *La traviata*. Sun: Sondheim's *A Little Night Music* (870 5570)

OFF BROADWAY THEATRE

The Good Times Are Killing Me is Linda Barry's play with music, directed by Mark Brokaw, about the coming of age of two girls, one white and one black, as they explore the mysteries of adolescence, divided families and racism (Minetta Lane Theater, 18 Minetta Lane, 420-6000). The Matchmaker is a revival of Thornton Wilder's farce set in Little Old New York in the 1880s. Directed by Lonny Price, with Dorothy Loudon and Kenneth Mars (Roundabout Theater, 100 East Seventeenth Street, 420-1893). Rhinoceros is a revival of Ionesco's 1960 play about the absurdity of the human condition, directed by Anne de Mare (House of Candles, 99 Stanton Street, 353-3088). Line is Israel Horowitz's long-running play about five people who want to be first in line (13th Street Theater, 50 W. 13th Street, 675-6677). Ticketron answers inquiries and sells tickets (248 0102)

PARIS

Eglise Saint-Séverin 20.30 Christophe Rousset conducts II

Seminario Musicale in Jomelli's *Lamentations* of the Prophet Jeremiah, with soloists Catherine Duboc and Gerard Lesne. Tomorrow at Forum des Halles: Philippe Herreweghe conducts Schoenberg's *Pierrot Lunaire* (4804 9801). A 24-hour recorded telephone guide to Paris and its environs is available in English by dialling 4720 8898

ROME

Caracalla 21.00 Gala concert with Marilyn Horne, Eva Marton, Barbara Hendricks and Kalia Ricciarelli. Tomorrow and Sun: staged performance of *Nabucco*. Fri: *Aida*. The Caracalla Festival continues till late August (488 3841)

VIENNA

Konzerthaus 20.15 Manuel Hernandez-Silve conducts Vienna Mozart Orchestra, performing in historical costumes, also Fri (712 1211) Schubert Saal 20.00 Piano recital by Oleg Malsenber, with music by Tchaikovsky and Schumann. A special bus to Laxenburg leaves the Staatsoper at 18.45 and returns shortly after the concert (512 7381) Schillerhaus 20.00 Aris Quartet plays string quartets by Mozart. This is part of the Wiener Musiksommer series. Tomorrow in Arkadenhof: Igor Oistrakh is soloist with the Swiss Youth Symphony Orchestra (4000 8410) Schillerhaus 20.00 Aris Quartet plays string quartets by Mozart. This is part of the Wiener Musiksommer series. Tomorrow in Arkadenhof: Igor Oistrakh is soloist with the Swiss Youth Symphony Orchestra (4000 8410) Schillerhaus 20.00 Aris Quartet plays string quartets by Mozart. This is part of the Wiener Musiksommer series. Tomorrow in Arkadenhof: Igor Oistrakh is soloist with the Swiss Youth Symphony Orchestra (4000 8410)

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2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2030-2100 World Business Today
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A five minute business briefing broadcast three times between 0700 and 0900
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0830 & 2030 (Thurs) Financial Times Business Weekly
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2130 (Thurs) Financial Times Business Weekly
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0830-0930 World Business Today - a joint FT/CNN production
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Wednesday July 24 1991

A dangerous alliance

THE revelations about South African government funding of Chief Mangosuthu Buthe's Inkatha Freedom Party reveal a strategy as dangerous as it is unethical. There has long been speculation that President FW de Klerk and his cabinet envisage an alliance with Inkatha which would ensure their domination of a post-apartheid South Africa, at the expense of the African National Congress (ANC).

Speculation has become near-certainty, with the government's admission that state funds have been channelled into Inkatha and its associated trade union, and amidst a welter of allegations, it is now difficult to avoid the conclusion that the links extend to government complicity in the township violence which has cost thousands of lives, and which by intimidating ANC supporters has benefited Inkatha.

Were Mr de Klerk president of a democracy his position would be in jeopardy. His release of Mr Nelson Mandela, the ANC leader, was the act of a courageous politician, albeit one who was being forced to acknowledge pressing political and economic realities. It now turns out that at the same time he was funding a secret campaign to boost Mr Mandela's rival. It is unlikely that Mr Mandela will again describe President de Klerk as a man of integrity.

Delayed measures

He is, nevertheless, as essential to South Africa's transition to democracy as Mr Mandela himself. But if the now stalled negotiations are to get off the ground, Mr de Klerk has to take measures too long delayed.

The first step is to end an alliance which has already done considerable harm to South Africa, and which if pursued in the same way - is capable of doing much more.

An electoral pact with Mr Buthe attracts many white South Africans. Mr Buthe has always advocated a mixed economy, and argued that violence was not the way to end white rule. His natural constituency appears huge. The Zulu tribe of which he is a chief numbers some 7.5m, the largest single ethnic group, making up over 20 per cent of the population. Simplistic electoral arithmetic combines the Zulus, 5m whites and 4m coloured and Asian votes. Put this in the context of a constitution which emphasises minority rights and highlights divisions within the ANC, and the alliance may look feasible.

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Wishful thinking

Yet no-one should know better than Pretoria that this wishful thinking will not work. South Africa supported comparable strategies during the independence process in Zimbabwe and Namibia and failed. In both cases political parties were founded, dirty tricks employed, and ethnic divisions encouraged, in an effort to defeat the African nationalist contenders.

It is doomed to fail in South Africa. It is far from certain that Mr Buthe's command majority support among the Zulu, and he has no significant support outside this ethnic base.

At the same time, Mr de Klerk must urgently set about reforming the security services. This should begin with the dismissal of General Magnus Malan, defence minister, and Mr Adrian Vlok, the law and order minister. It has long been clear that neither man is prepared to discipline officers and men who, with or without government connivance, instigate political violence.

Mr de Klerk should also appoint a judicial commission of inquiry into the Inkatha affair, with a remit which includes the wider use of government funds in support of party political objectives. And he should give way to long-standing demands for an independent investigation of the allegations of the involvement of the security forces in township violence.

Only last month Mr de Klerk, reviewing the wide-ranging reforms his government had introduced, declared: "The political playing field has been made equal." As long as he fails to act, these words have a hollow ring. As long as they do, the process of readjusting appears huge. The Zulu tribe of which he is a chief numbers some 7.5m, the largest

Scotland and the union

THE FUTURE of the union with Scotland is the most pressing constitutional issue facing Britain. Among Scots, support for further devolution is consistently overwhelming; of the parties, all but the Conservatives now support a Scottish parliament with fiscal and legislative powers; and with the European Community a nascent federation, outright separation - "an independent Scotland in Europe" as the Scottish National Party puts it - sounds more plausible than at any time since the rout of the Jacobites. Yet most British - or rather English - politicians have yet to wake up to the implications of conferring autonomy on Scotland.

For Scotland, greater autonomy is not only viable, it accords with the subsidiarity principle Community politicians (including Mr Major) preach, and the rest of democratic Europe - even Spain and (more tentatively) France - now practices. Scotland has its own distinctive law, culture and politics; it already enjoys administrative devolution; its economy and its population are larger than those of most American states. If a majority of Scots call for a parliament in a referendum, there has to be a powerful reason to deny them. With the single European market at hand, economic fears have diminished.

Labour is committed to creating a Scottish parliament within a year of taking office. Its parliament will have "legislative and revenue raising powers and economic responsibilities", and the party cites the report of the Scottish Constitutional Convention - which embraces Labour, the Liberal Democrats, trades unions and churchmen - as "a sound basis" on which to proceed.

Wide implications
Were such a parliament to be established, however, the implications for the union would be far-reaching. Among the questions that arise are the following: what relationship should Scotland have with the English exchequer? Should the sovereignty of the Westminster parliament be limited in Scotland - and if so, how? And why should Scots MPs thereafter have any say over English legislation?

Variations on this last theme - the so-called "west Lothian question" - have plagued every attempt at devolution within the UK since Gladstone struggled with Irish Home Rule. Westminster is both the "state" parliament of England (and other regions without devolution) and the "federal" parliament of the United Kingdom. Follow federal logic, and England should get its own parliament as part of any devolution settlement.

Rare logic

Logic, however, rarely features in Britain's constitutional arrangements. Labour is instead proposing to balance a Scottish parliament with a Speaker form of devolution for the regions of England. This ignores the awkward fact that that most English people remain to be persuaded of the value of regions; and that, however desirable regional autonomy may be in principle, the chaotic state of English local government may not make the next few years the most auspicious time to define yet another set of boundaries and responsibilities. Even if a Labour government could solve these problems, there would be a long interim period during which England would have a democratic deficit with Scotland. In short, the West Lothian question persists.

An alternative course, following Stormont, would be to leave Scots MPs at Westminster, with full voting rights but in reduced numbers. Scotland already has 13 MPs more than it should, if all votes were equal. Home rule would be hard to justify without a significant reduction.

With a fifth of Labour MPs sitting for Scottish seats, the party politics involved are obvious. Labour has to find a formula to pacify the Scots without sacrificing all hope of governing England. Those who favour Scotland's just desire for greater independence, however, must not be allowed to shirk the more difficult implications. The Scottish debate illustrates very clearly the urgent need to reconsider the central constitutional issues facing the United Kingdom, from electoral systems to the form and function of local government.

Confidence, that fragile commodity, is suddenly a pivotal factor again in the financial markets. Depositors big and small have learnt an old lesson, that high returns involve above-average risk. In the wake of the BCCI closure those risks are perceived to have grown.

There will be obvious parallels drawn with the onset of the secondary banking crisis in the UK in 1973, when London and County Securities, a fringe lender which was active in the property market, encountered a funding emergency. Dozens of other secondary banks soon also found themselves frozen out of the money markets, and could not replace deposits as they fell due.

The famous Bank of England lifeboat set sail: it was a mechanism through which deposits raised by the clearing banks and other top-quality institutions could be recycled to the fringe operators. At its peak in March 1975 the lifeboat was lending almost £1.3bn, say \$5.5m in today's money, and the vessel was not finally winched back up the shipway until the start of the 1980s.

In good times there is little risk in lending to banks, even fringe ones, and depositors adjust their behaviour accordingly. For a tiny interest rate premium, often only a few per cent or 10 per cent, they will switch deposits away from mainstream institutions towards those on the fringe. In these conditions, as in the mid-1980s, it is comparatively easy for new and enterprising financial institutions to be founded. This happened in the case of National Home Loans Corporation (NHL), which was launched in 1985 to develop a new niche in the growing market for mortgages, then only quite recently completely deregulated.

But the closure of BCCI has provided a painful reminder to thousands of depositors, including treasurers of companies and local authorities, that the level of risk has increased again. The difficulties of NHL indicate that a flight to safety has begun.

This is not quite 1973 all over again. The closure of BCCI was in response to an alleged long-running fraud, rather than any particular recent crisis (London and County's failure followed a property market collapse). Nevertheless there has been a serious deterioration during the past two years in the general banking climate.

When NHL was set up it was assumed the risks involved in properly secured and documented first mortgage lending on British residential property were small. But the UK house market is deep in slump and mortgage arrears are rising to unprecedented levels. Yesterday the US credit rating agency Standard & Poor's warned of a potential

downgrading of certain mortgage-backed securities issued by one of NHL's rivals, The Mortgage Corporation, partly because of doubts over the insurance cover attached to them. It is possible to construct doomsday scenarios about a downward spiral in UK house prices and about unexpected specific risks - after all, NHL suffered a \$3.5m loss on mortgage fraud last year. Still, the company remains profitable, and its loans appear to be

comfortably covered by house values, even at the current lower levels.

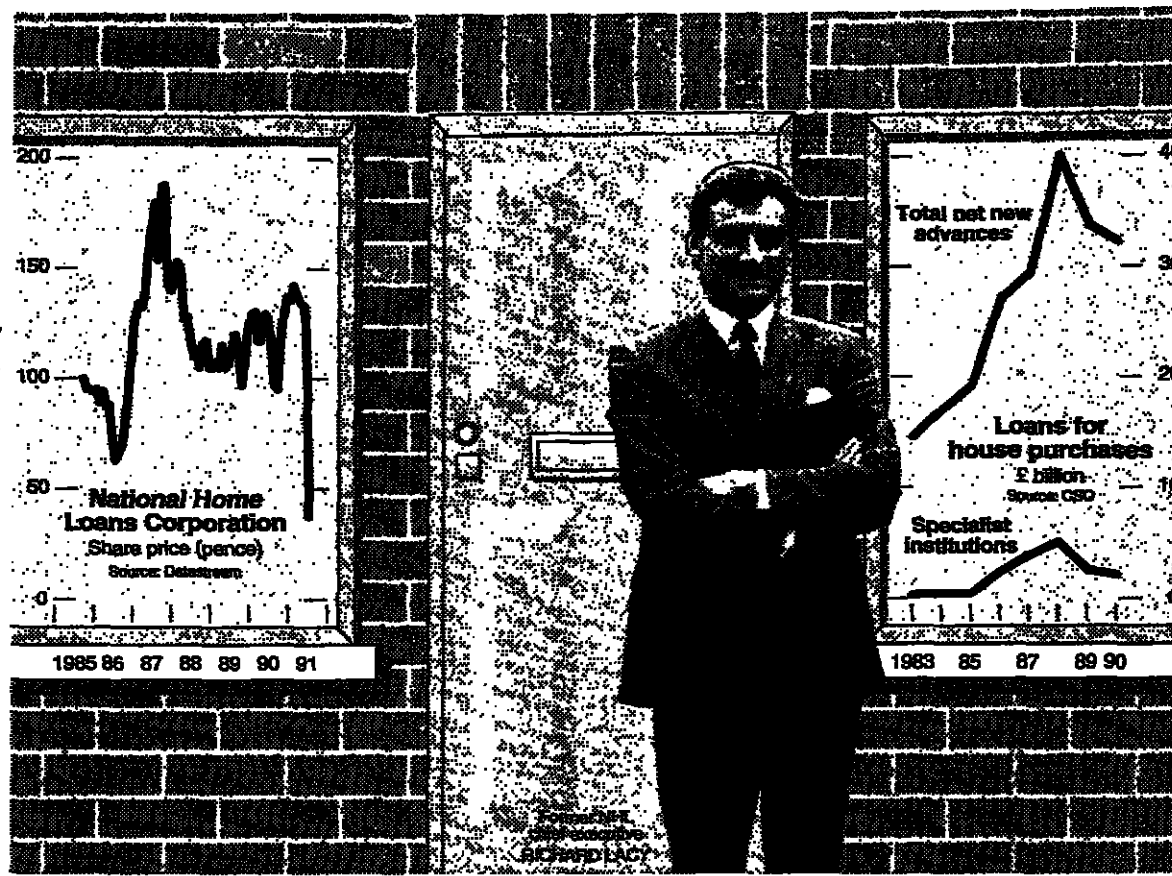
The risks of lending to NHL are not large, but at the same time they are no longer entirely negligible. The affair illustrates the dangers of dependence on the wholesale money market. This is an active professional market, conducted by telephone and fax, from which confidence can evaporate overnight. The first step may be a widening of deposit rates, but this

may aggravate the problem rather than solve it; if there is perceived to be a significant risk no interest rate could be enough to compensate, because the corporate treasurer dreads an appearance in newspaper stories about a busted bank, and the probable loss of his job.

There are many examples of the sudden collapse of institutions, such as the solvency crisis of Continental Illinois of Chicago in 1984, because of

Problems at National Home Loans indicate rising financial risks, writes Barry Riley

Beginnings of a flight to safety



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House in need of repair

advantage to building societies which had cheaper funding from savings deposits.

NHL's share price languished at about 110p for two years from mid-1988. There were some specific signs of weakness in the company which disturbed analysts. One was that much of its mortgage lending was to borrowers who did not have to prove their income.

Instead the group relied on lending to customers who could put up a substantial chunk of the price of a house. "If a third of the value of a house is the customer's own money, he is going to fight hard to stop it going into arrears," officials at NHL's newly-built Solihull headquarters would say. "Because if things go wrong, the customer knows that it is his third of the money which will go first."

In just over five years, NHL sold \$6m worth of mortgages, £2.5m of which were packaged into mortgage-backed securities and sold off to

other institutions.

When the clouds began to gather over the market, the group began to diversify into new lines of business, setting up four new divisions for commercial lending, consumer loans, equipment leasing, and banking.

The diversification struck some observers as a shade panicky, but last November the group was able to announce fairly satisfactory results, with pre-tax profits of £30.5m, only a little down on the £33.5m in 1988.

By then however Mr Lacy had gone, ejected at the end of February 1990 after a board room coup. Colleagues complained that he had been too concerned with grooming his public image and leaving nitty-gritty detail to others.

Mr Kevin Milner, the former finance director, took over as chief executive. He spoke confidently of plans for the group stretching into the mid-1990s and beyond.

But when the group unveiled its

half year results in May, profits had tumbled from £18m to £10m, and the group had been hit by a mortgage fraud. Two weeks ago, James Capel, the broker who to the group, sent jitters through the market by downgrading its profits forecast for the year end from £24m to £13m, on the assumption that NHL would have to make provisions of £30m against bad mortgage debts.

A day or two earlier, Mr Milner had warned of coming redundancies and announced that several of the new subsidiaries were now being merged into a single division.

On the mortgage markets, NHL is these days said to be only a modest lender, nursing its way back to health until the mortgage market recovers.

The sudden loss of confidence by local authorities in the wake of the BCCI crash had little direct link with the group's existing malaise, but it came at a time when it was at its most vulnerable. NHL has not been put out of business by the latest blow, but confidence in it will take a long time to rebuild.

David Barchard

Eastward Howe

King-making seems to be additive. Sir Geoffrey Howe, part of the British who topped Margaret Thatcher last year, is turning his attention to an even more troubled reign.

He is to serve on a high-powered advisory council to the Ukrainian parliament, which displayed unprecedented independence last month by refusing to sign the Union Treaty according to President Corbachev's timetable. The previously quiescent Ukraine, which is equivalent to France in terms of its 52m population and size, is now regarded as the republic most likely to cause the Soviet Union to fall apart, not the Baltic states.

Realising that independence from the Russian behemoth to the east requires greater contact with the west, Bohdan Hawrylyshyn, a Ukrainian émigré and ex-head of the International Management Development Institute in Switzerland, seems to have had no difficulty collecting an impressive foreign cast for his new council.

Apart from Howe and one-time Labour minister Shirley Williams, others include Professor Lester Thurow, a former member of the US Council of Economic Advisors; international financier George Soros; Romano Prodi, ex-president of Italy's DSI; Switzerland's Kurt Furgler; and Saburo Okita, erstwhile Japanese minister of foreign affairs.

The new body, which will probably hold its first meeting in Kiev in September, will advise the Ukrainians on everything from a new constitution to privatising industry. It is expected to operate for up to 18 months and will require between five and 12 days of the advisers' time.

The length of time it has taken Howe to make up his mind may have reflected his concern not to jeopardise Britain's ties with the Kremlin.

OBSERVER

However, the fact that the Ukrainians were also talking to Mrs Thatcher may have tipped his hand.

Gray issue

The sacking, or non-sacking, of Ian Gray as managing director of the building company of Tottenham Hotspur Football Club casts intriguing light on Alan Sugar's first run at taking over a quoted company.

Gray says he was sacked by Sugar, Spurs' new chairman and head of Amstrad, on July 5. But Tottenham insisted Gray was still managing director. When the Stock Exchange inquired about the clash, it was told to take the company's statement at face value.

Being scarcely a person to be mistaken about being sacked, Gray has so far remained at home, pondering his future, changing nappies and pursuing a claim for breach of contract.

All this comes at an awkward time for Sugar and his partner at Tottenham, Terry Venables, who has left from the dugout to be chief executive and is the only executive director on site at present.

Having bought 36 per cent of the equity, Sugar and Venables have been forced to extend their 70p-a-share offer to other shareholders. They would prefer to spend their remaining £4.5m on backing a rights issue rather than buying shares.

With the offer closing today, it remains to be seen whether the shenanigans over Gray have deterred shareholders from staying on board.

Ex-broker

It would have been better if Exco, the healthy money broking arm of the collapsed British and Commonwealth empire, could have hired



another ex-Bank of England type of the stature of Hilton Clarke, to be its new non-executive chairman. But in the event the 62-year-old Carol Mosselman looks a safe enough choice.

With so much dirt flying around the money-broking world these days, there is a need for a few more upright non-executive figures at the top of the business.

Mosselman, chairman of Rothschild Asset Management and a director of Coutts, is by all accounts terribly well connected. He also has the advantage of having spent most of his working life in another "people" business, insurance broking, and has not been tainted by any of the Lloyd's scandals. The downside is he was not viewed as a very effective chairman of Sedgwick.

Richard Lacy, Exco's current chairman and chief executive, refuses to be drawn on the significance of splitting his job in two. But it is yet another sign that the B&C administrators are keen to get some of their money back by floating

Taking a gamble

Meanwhile over at Royal Insurance, one of the weaker UK companies, the top management reshuffle looks to be happening fast. Only four months after newcomer Richard Gamble took over as chief operating officer, Gamble seems to have consolidated his claim to be the group's next chief executive.

Present incumbent Ian Rushton has been elevated to vice-chairman, and although no one has been designated chief executive, with Rushton now chairman of the Association of British Insurers many of his duties will fall to Gamble.

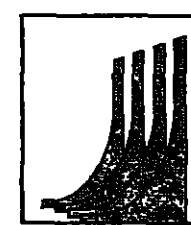
Michael Dowdy, brought in from Wimpey to fill Gamble's role as finance director, is of an age that rules him out for the top job, as is Bill Buckley, the group's new US executive director.

While many onlookers think an outsider like Gamble will be better equipped to attack Royal's deep-seated problems, the more conservative would prefer to see a diehard insurance type still in command.

Privy seal

In squeaky clean Singapore, where it is an offence not to flush a public lavatory, the search is on for the most pristine public convenience. An original field of 800 entries for the seal of approval has been narrowed to 16, all of which will be visited by two teams of judges.

Prizes include a certificate for the cleaning contractor and US\$285 plus a meal voucher for the janitor. The maximum fine for not flushing a public toilet in Singapore is US\$570. Evidently no need for a Citizen's Charter there.



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LETTERS

Institutional merger that is an obvious step

From Mr R V Holley

Sir, The engineering profession may once again have taken a giant leap backwards in its quest for greater respect and influence. In the 1980s, it was the Engineering Council which sought to create a sense of unity by installing it from the top down. But the numerous member institutions disliked both the concept and the additional cost.

Now we have the sad spectacle of the Institution of Electrical Engineers deciding peremptorily to withdraw from discussions with the Institution of Mechanical Engineers about a possible merger. This was not just a decision against integration but a decision to stop even considering it. The dismay of many members will be heightened by the recollection that it was only a few years ago that the IEE merged with the Institution of Electronic and Radio Engineers to the benefit of both.

Why then is the IEE council so fearful of the next logical step? Does it seek to build a fence around electricals and electronics or is it only the name which is a stumbling block? If the latter, then solutions are not hard to find; this would be the biggest single institution in Europe and its door should be clearly open to others.

But perhaps they have stalled on the traditional division between disciplines and function. The real world is not served by electricals or mechanicals but by systems and equipment which encompass both, and often more. Industry and customer alike have been struggling with that integration for at least 40 years. The demands of the products should shape the profession and it might then receive the respect it deserves.

I fervently hope that the IEE council's action is no more than a hiccup for thought.

R V Holley,
55 Larkfield,
Englefield Green,
Surrey

EC answer

From Mr David Morris

Sir, Your report on the referendum law for the Czech and Slovak republics (July 20) to decide their future shape and status has lessons for Northern Ireland.

For 20 years the military and politicians have failed to bring peace to the province. Is it not time to give the Community a chance to settle the problem.

David Morris,
Flat 5,
9 Leazes Crescent,
Brighton BN2 1PH

Baltic states undermined by bilateral treaties

From Mr Michael Spicer MP

Sir, Samuel Brittan's appropriately sceptical article, "Gorbachev's place: at arm's length" (July 18), observes that the Soviet president's "practical willingness to allow early independence for the Baltic states should be a test case. Their annexation was the result of the notorious Molotov-Ribbentrop pacts. It remains invalid in international law and has never been recognised by the west."

Unfortunately, although the first part of the last sentence is correct, the second part has recently been undermined by a series of bilateral treaties which the Soviet Union has signed with leading European states, including Germany, France and Spain.

Article 2 of the Soviet-German Treaty on Good-Neighbourliness, Partnership and Co-operation, signed by President Gorbachev and Chancellor Kohl on November 9 1990 in Bonn, provides, in part:

"The Federal Republic of Germany and the Union of

Soviet Socialist Republics undertake to respect without qualification the territorial integrity of all States in Europe within their present frontiers... They regard and will continue to regard as inviolable the frontiers of all states in Europe as they exist on the day of signature of the present treaty."

Interviewed by journalists at the close of the G7 meeting, Mr Nicholas Brady, the US treasury secretary, spoke of the importance of the United States attaching to the Soviet Union's permitting the Baltic States to acquire political independence.

It is all the more regrettable that Germany should have signed a treaty with the Soviet Union precluding any alteration to frontiers in Europe. The full texts of all the bilateral Soviet-European treaties have just been reproduced in a booklet entitled *The Soviet Agenda For Europe*, published by World Reports.

Michael Spicer,
House of Commons,
Westminster, London SW1

Counselling need for the unemployed

From the Rev. David Everett

Sir, Your editorial about unemployment in Europe (July 19) is right to call attention to the different needs of unemployed people: recently unemployed people need to maintain contact with the labour market, long-term unemployed people need to keep skills alive or retrain in new skills.

What both groups have in common is a need for counselling. Yet where does the unemployed person turn for counselling?

What is needed is a proper counselling service for unemployed people, whether recently redundant or long-term unemployed. Church Action with the Unemployed is looking for partnerships with local churches and caring agencies to develop redundancy seminars and counselling provision for unemployed people.

David Everett,
Church Action with the Unemployed,
45B Blythe Street,
London E2

Standards for social workers

From Mr Simon Randall

Sir, In your July 22 leader you rightly drew attention to the critical state of social work provision. A key aspect to this, and one that the government will doubtless be considering in its response to Staffordshire County Council's report on "mindwork" practice, is the lack of properly trained and qualified staff who have to deal with situations many of us would find intolerable.

It is ironic that 80 per cent of social workers in residential homes are unqualified and yet it is the children in these homes who are likely to be the most at risk and difficult, and therefore the ones most in need of expert care. At the very least, it is surely essential that an agreed set of minimum training standards should be introduced and that staff be more closely monitored than hitherto.

The feasibility of this highlights another issue. The dominant problem now for London's social services is not a shortage of staff but a shortage of money. Two-thirds of London boroughs are now restricting their recruitment of social work staff.

Simon Randall,
Chairman,
Housing & Social Services Committee,
London Boroughs Association,
23 Buckingham Gate,
London SW1

When a recession is a recession — but certainly not a slump

From Mr John Bankman

Sir, Roy Hattersley incorrectly attributes to me (Parliament and Politics, July 19) the statement that Britain is not suffering from a recession but from a "slump".

I said no such thing. In concluding an interview on the BBC Radio 4 Today Programme on Thursday, the interviewer, Brian Redhead, said: "I find, certainly in the north of England, people have stopped saying recession; they now say slump. They say it is much worse than what they went through in 1981-82. Do your members endorse that view?"

In reply, I agreed that CBI members were indeed finding things worse than in 1981-82. That morning I received figures showing that the decline in aggregate sales from 1989 to 1992 would exceed the 12 per cent fall from 1979 to 1981, and is likely to match the 19 per cent fall from 1973 to 1978. But at no time did I state that Britain is in a slump. Even if the level of output does not improve later this year, the fall in output between 1989-1991 will have been about 15 per cent. This compares with falls of 8.3 per cent in the period 1979-85, and 4.2 per cent between 1979-1981.

The key to getting things turned around is a restoration of business and consumer confidence. That is why, in the same programme, I made very clear our view that there needs

to be substantial cuts in interest rates to reflect the satisfactory progress that had been made, at least in the market sector, in squeezing inflation out of the economy.

Confidence is fragile enough without Roy Hattersley putting words into my mouth. John Bankman,
Director-general,
CBI,
Centre Point,
105 New Oxford Street, WC1

Meaning well

From Mr Sanjay Purohit

Sir, It would appear from your article, "Confessions of a non-executive" (July 15), that there is little point in having non-executive directors. Why did the intrepid non-exec not press his case further and why, if he cared for Sketchley's future so much, did he not put himself up for re-election? I think this is another example of British management meaning well but having no strategy to do business well.

Sanjay Purohit,
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Future conditional: US trade relations with the Chinese

By David Hale

The trend of America's relations with the Soviet Union and China increasingly resembles a grammatical table: past, present, tense, future conditional — especially the latter. The US and other Group of Seven countries want to make aid to the Soviet Union conditional on comprehensive economic and political reform there. The US Congress is in the process of enacting legislation which would make the continuation of China's most-favoured-nation trade status conditional on the resumption of the political liberalisation process which came to a halt in June 1989.

The difference between these two debates about conditions speaks volumes about the immense gap which has developed between the Soviet Union and China during the past decade as well as about the complexity of American attitudes towards the return of former state-controlled economies to the global market-place for goods and capital.

The Soviet Union is economically paralysed — suffering the shock of hyperinflation without the therapy of increasing output. This is because producers have neither market incentives nor a coherent state plan to guide their actions.

In China, by contrast, economic liberalisation has proceeded so rapidly that foreign trade is now equal to 16 per cent of gross national product — the same as Japan's. Although China has privatised only about 35 per cent of its factories, there has been a foreign investment boom in Guangdong province, exports have expanded 20 per cent annually since 1987 and there could be a \$100n-\$150n trade surplus with the US in 1991.

Meanwhile, the Beijing government's share of GNP has fallen from 34 per cent in the late 1970s to about 20 per cent recently because of tax reforms designed to encourage the growth of output and the highly-fragmented fiscal system itself (provinces and cities collect most taxes). As a result of the different speeds at which China's economic and political institutions are evolving, the country increasingly resembles a perplexing mixture of Europe at the end of the Middle Ages and a late 20th-century Asian newly industrialising country. Beijing has not yet accepted democracy, nor created a fully-consistent legal framework for capitalism, but commerce with the rest of the world is rapidly decentralising economic and political power within China.

It is the uneven pace of economic and political evolution which is jeopardising China's trade status with the US. Since 1989, China's mixture of export and import has caused it to become a focal point for the tensions which characterise America's relations with the Third World. These include the tradition of moralism in US foreign policy, concern about human rights in a non-western society, attempts to control arms sales to Arab countries hostile to Israel, and defining acceptable rules for commercial relations with countries which do not have free-market traditions.

During the cold war, the US government typically divided developing countries into two categories: communist and non-communist. The communist countries were subject to trade sanctions and the non-communist countries were provided with incentives to pursue a capitalist form of economic development regardless of whether they were democratic or not.

relations with the Third World to reflect economic considerations, not merely ideology. In this new order, a successful developing country is often regarded as a trade problem while an unsuccessful one is usually a banking problem.

As a result of this commercial re-orientation of foreign policy, the US has become increasingly meddlesome in the micro-economic policies of Asian developing countries with large trade surpluses. It has demanded that they revalue their exchange rates or pursue structural changes designed to encourage imports. As developing countries mature, it is not unreasonable for the US to expect that they should open their markets. But most US congressmen believe that trade access to China should not be solely dependent upon Beijing's adhering to internationally recognised commercial practices. The congressmen also want to use trade policy to promote democratisation within China as well as to punish Beijing for exporting weapons to the Middle East.

Although the intentions of the US Congress in the most-favoured-nation debate are laudable, comprehensive trade sanctions could be counter-productive to the goals of encouraging freedom in China and restricting its exports of military technology.

The loss of most-favoured-nation status would strike hardest at precisely those those regions of China which have been most aggressively promoting economic and political liberalisation, including Guangdong and Shanghai, while strengthening the position of hardline isolationists in Beijing who want the economy to remain closed. It would also do significant damage to the economy of Hong Kong, where the survival of civil liberties will ultimately depend on China's successful integration into the

world economy. In setting criteria for acceptable behaviour by China, it is important to remember that few developing countries in the modern period have achieved true democracy prior to economic take-off. Taiwan has been under *de facto* martial law since 1949. South Korea and Thailand achieved their economic take-off under military rule. Singapore and Malaysia have been ruled by single party since independence. The two most successful Latin American economies of the 1980s, Chile and Mexico, were then controlled by the military or authoritarian political parties.

As a result of the diverse nature of the moral, economic and political questions raised by the debate about China's trade status its outcome will set an important precedent for the conduct of US foreign policy in the post cold war era. The US should use conventional trade law to punish China for dumping goods, encourage the development of a corporate code of conduct for China similar to the Sullivan Principles in South Africa, and support democratic reform within China through international political channels.

But if the US Congress attempts to use unilateral trade sanctions to guide political developments within China, it will neither control the outcome in Beijing nor enhance America's economic interests in a country where the national income could exceed Japan's in the early 21st century. Instead, Washington will watch in frustration as economic modernisation forces China to liberalise its political institutions in fits and starts while it continues to enjoy steadily increasing trade with Europe, Japan and other Asian nations.

The author is chief economist of Kemper Financial Companies in Chicago.

Robert Mauthner

Nuclear age is not over

Start is a small mercy, but further arms cuts could be made without disrupting deterrence



FOREIGN AFFAIRS

In the bad old days of the cold war, any significant arms agreement was heralded by governments and public opinion as an historic event, marking a turning point in relations between nations on either side of the east-west barrier. That is no longer the case, as demonstrated by the relatively low-key reception given to the strategic arms agreement finalised by President George Bush and President Mikhail Gorbachev during the Group of Seven summit in London last week.

The old clichés such as "milestone" and "landmark" were still produced to describe the Strategic Arms Reduction Treaty (Start), which the US and Soviet leaders intend to sign at their meeting in Moscow later this month. But it was more out of a sense of relief that such a long and complicated process — it has taken 10 years to negotiate the agreement — has at last been brought to a successful conclusion than the result of real conviction that Start was of momentous significance.

It is now generally accepted that while arms control can contribute to the easing of international tension, it is mostly the result, rather than the cause of political détente. If it had not been for Mr Gorbachev's political will to improve relations with the US and bring the cold war to an end, neither the 1987 intermediate-range missile treaty nor last year's conventional forces agreement would have seen the light of day. The latter accord, in particular, was the culmination of a political process which ultimately brought about the destruction of the Berlin Wall, the "2 plus 4" agreements ending the rights in Germany of the four victorious second world war allies, the disengagement of the Soviet Union from eastern and central Europe and the unification of Germany itself.

The Start agreement has therefore come well after the end of the cold war. It is the icing on the cake of developments which have radically transformed relations between the superpowers and the situation in central and eastern

Europe. But the agreement will not add qualitatively to the political results already achieved.

Nor will it fundamentally alter the military capabilities or balance between its two signatories, the US and the Soviet Union, unlike the conventional forces treaty (CFE), which eliminated Moscow's overwhelming superiority in conventional arms in Europe. Each side will still be left with a huge arsenal of nuclear missiles, warheads, bombs, heavy bombers and submarines.

But we must be thankful for small mercies. Start is the first arms accord under which nuclear weapons and their launchers will actually be reduced. But the bald statement that each side will cut its overall number of nuclear

weapons by between 25 per cent and 30 per cent — down, incidentally, from the original target of 50 per cent — gives a misleading impression. It all depends on the starting point, and that was extraordinarily high. Even after the agreed reductions, both sides will still have 1,600 intercontinental and sea-launched missiles, the US will possess about 9,000 nuclear warheads and bombs, while the Soviet Union will have about 8,000 of these weapons. Sea-launched cruise missiles and the development of space-based weapons have been excluded from the treaty, as have the French and British nuclear arsenals.

"The result [of the agreement] will be greater stability and a lower risk of war," Mr Bush and Mr Gorbachev said in a joint statement after their Malta summit in December 1989. Yet many military experts believe that the cuts in warheads could have been twice as great, without undermining nuclear deterrence. If

there is no longer any danger that the west will be engulfed by a moribund communist ideology. Why, therefore, should there be any need for the superpowers to retain any nuclear weapons at all?

Many will be tempted to reply that there is no longer any need in present circumstances. But situations change quickly. The role of defence policy is to be prepared not only for immediate, but for unexpected future threats to national and international security.

While an east-west military confrontation in Europe now appears to be out of the question, Iraq and Yugoslavia are examples of smaller and more localised conflicts which can nevertheless easily ignite a whole region and even spill over into the south-eastern flank of Nato. A disintegration of the Soviet Union, bringing in its wake an intensification of ethnic conflicts and mass migrations, could have incalculable consequences for stability

in eastern and central Europe. What is more, nuclear weapons previously controlled by the Soviet president and a disciplined and loyal high command might fall into much less responsible hands.

At a time when western countries are running down their conventional forces to levels at which a repetition of the recent allied operations against Iraq can no longer be contemplated, and Iraq has admitted to developing its own nuclear weapons, the superpowers can hardly be asked to abandon entirely their ultimate instrument of defence and political leverage.

No rational government or leader could seriously contemplate a conflict fought with strategic nuclear weapons. Yet the certainty that a nuclear first strike would be met with nuclear retaliation and the element of doubt that persists in an aggressor's mind that his opponent might use nuclear weapons in the last resort, has kept the peace in Europe for more than 40 years.

It is this war prevention role of nuclear weapons which remains unchanged. For the moment at least, it is most unlikely that the two powers which possess the greatest number of nuclear missiles and warheads would even contemplate fighting each other. Yet others, such as Pakistan, Israel and Iraq, might feel much less constrained in their actions if the superpowers, already deprived of adequate conventional forces to undertake foreign operations, were to abandon their nuclear arms as well.

The right recipe for future arms control negotiations is thus not to abandon nuclear weapons altogether. It is to reduce them progressively to much more reasonable proportions than Start has done in a series of less complicated agreements to be appended to the original treaty.

Above all, there is a clear need for the US and the Soviet Union, and indeed France and Britain, to improve their capacity for managing crises by devising better political and physical control mechanisms for nuclear weapons. There is little point in reducing nuclear weapons, if it is still possible for a conflict to break out by accident or miscalculation, even during a period of political détente.

Executive education is meaningless without vision.

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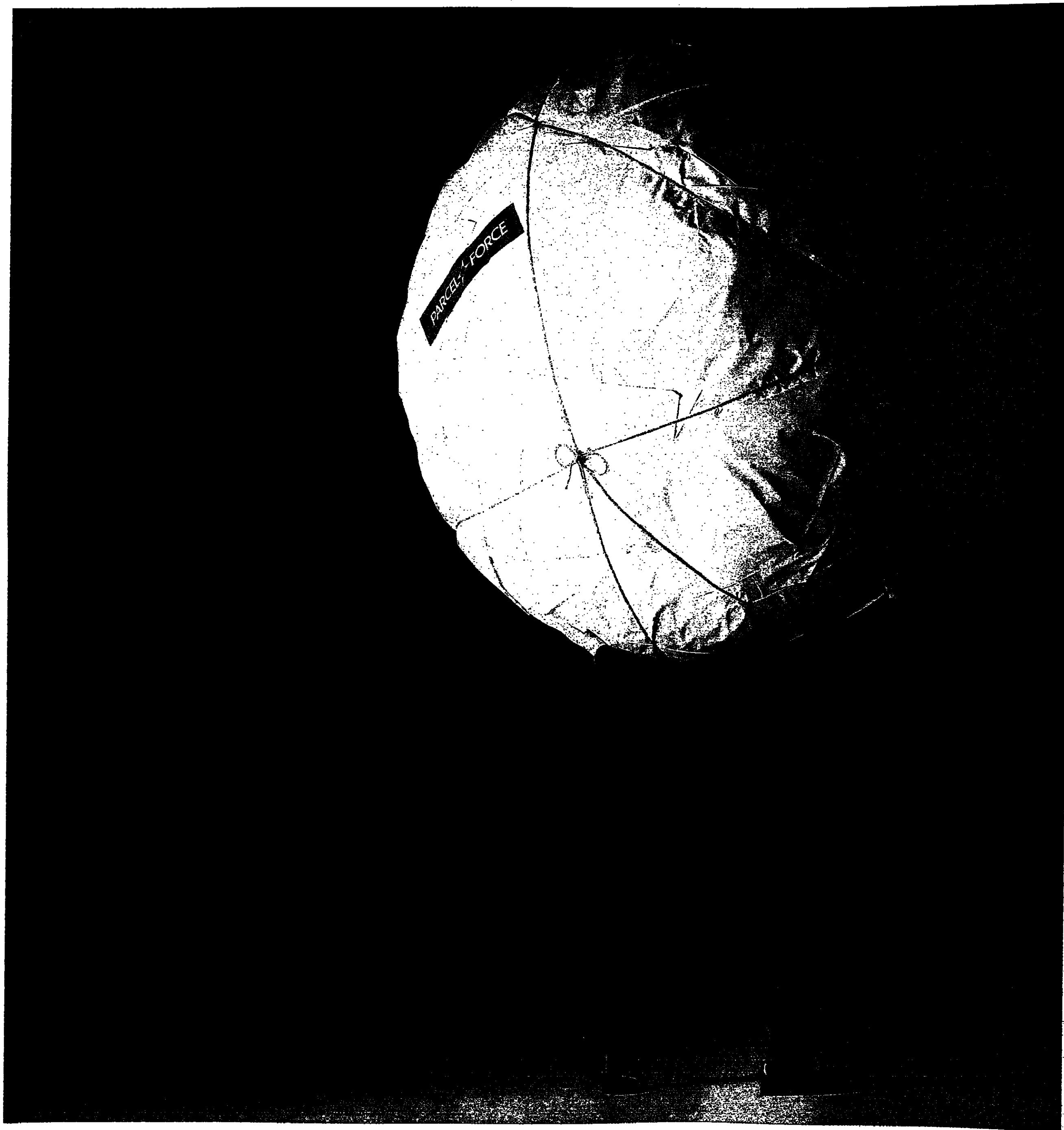


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COURIER AND EXPRESS SERVICES 3

SCHEDULED AIRLINES

The search for niches in the long-haul market

HAVING LOST much of their short-haul and airfreight traffic to the door-to-door express services operated by integrated carriers, scheduled airlines are now looking to focus more on their efforts in that sector on the international long-haul market.

Even there, though, airlines are generally still finding it difficult to develop a successful niche. The obstacles to that development include the fact that the airlines need to work with other parties such as freight forwarders to provide the full door-to-door service generally demanded by shippers. Such partnerships often prove difficult to establish and maintain successfully.

Now, in a new approach to that problem, German airline Lufthansa and Japanese carrier Japan Air Lines are seeking to develop express business opportunities in conjunction with air express company DHL International in which both bought shares last year. Lufthansa and JAL each own a 5 per cent interest in DHL with options to buy up to 25 per cent each over the next year or so.

First signs of closer co-operation between those airlines and DHL are expected to become apparent fairly shortly. The companies are understood to be working on the development of airport-to-door delivery services for traditional airfreight traffic.

DHL has in fact handled some larger airfreight business for several years through an operation called Off-Net. That has involved responding to specific requests from customers and then working out prices for the movement with a suitable airline.

It appears that side of the operation is to be expanded. Mr Brian Pittsall, DHL's Brussels-based director of business development, recently confirmed that airfreight airport-to-door services are among a number of projects currently being worked on by a committee of DHL, Lufthansa and JAL personnel.

However, other airlines are less enthusiastic about establishing close links with one particular integrator. British Airways Cargo, for example, believes such a move would make it much harder for the carrier to follow its current avowed policy of developing wholesale services for a broad range of customers.

Last year, BA expanded its Speedbird range of wholesale express services to include a new airport-to-door delivery product. Covering some 120 countries worldwide, it is targeted at freight forwarders, domestic express and messenger companies hoping to compete in international express markets. Two levels of service are available, Timed Delivery and Priority Delivery. By choosing the former, customers determine the time when their



Air Canada - stepping up the development of on-board wholesale courier services

shipment arrives at destination. BA has also bought a minority stake in London-based international courier FEX and transferred its retail express business to that company.

Thus, BA claims, it is left free to concentrate on developing its fast-growing Speedbird wholesale operations.

Following a similar path is Canadian airline Air Canada whose airfreight operations are headed by Mr Geoff Bridges, a former managing director of BA Cargo. The Canadian carrier launched an international on-board wholesale courier service on some transatlantic routes such as London-Toronto/Montreal late last year in conjunction with Montreal-based F B On Board Courier Services.

Over the next few months, says Mr Bridges, now vice-president, cargo for Air Canada, the airline intends to add similar services between Canada and three other key European points - Frankfurt, Amsterdam and Paris - and extend coverage westwards into the Pacific via Los Angeles in the US.

"We might look to do some work with other carriers in Europe and then link down into the Pacific by interfacing with one of the wholesale couriers operating there," he adds.

Plans are also being finalised for expansion of a Canadian inter-city service run by the airline's wholly-owned subsidiary company, Dynamex. The aim is to extend that operation to cover the whole country and then progressively move it into the US. The intention, says Mr



Pittsall: confirmation

Bridges, is eventually to link in Air Canada's international on-board courier services with the Dynamex same-day operation in North America.

"By offering an airport-to-airport wholesale product using F B, our own brokerage and Dynamex, we can encourage the top end of the forwarding business to use that rather than just giving it away to an integrated operator. And there must be an awful lot of non-international courier companies who could use that sort of facility," he claims.

Air France, on the other hand, is still keen to develop a role in the international express door-to-door delivery market and is establishing joint venture subsidiary companies in various key markets. Last year, for instance, the French national airline set up the first such company, Sodexi UK, as the British arm of the

airline's express subsidiary in France, Sodexi SA (Société pour le développement du fret express international). Sodexi UK is jointly owned by Sodexi SA and Birmingham-based WPS (World Parcel System). Sodexi SA provides a door-to-door service called Mach Plus which caters for the international shipment by air of parcels up to 80 kilos within Europe and 30 kilos to other destinations such as south-east Asia. The service is available to more than 30 countries.

Recently, the Mach Plus product range was extended to include an airport-to-door service from the UK. That option is designed to appeal particularly to freight forwarders who might have an express requirement for some of their traffic.

A more typical international airline industry development in the express sector involved the introduction this year by Singapore Airlines of a new airport-to-airport express cargo service called Swiftair. This offers guaranteed space and uplift once a booking has been confirmed, late close-up time for acceptance of cargo and priority handling/clearance.

"The airport-to-airport cargo express service means freight forwarders are being offered reliability plus the added advantages of late acceptance and quick delivery of cargo at destination. For example, any customer with an urgent shipment can get his cargo accepted as late as one hour before flight departure," says Mr Huang Cheng Eng, SIA cargo manager.

Phillip Hastings

Phillip Hastings on global logistics operations

The flexibility factor

EXPRESS COMPANIES initially made their mark on the distribution scene by providing fast, time-definite parcel and freight delivery services. There was little operational flexibility and customers had to use one of a number of set products on offer.

However, with distribution requirements becoming ever more complex and sophisticated in the last few years, express companies have responded by steadily broadening the scope of their services to provide more wide-ranging logistics management operations.

Federal Express and TNT, for example, already have separate divisions handling the development of contract distribution/logistics business. TNT moved into that field when it set up a UK contract distribution division in 1985.

Around the same time, FedEx bought UK-based contract distribution company Systemline. Both have since gone on to develop similar operations in other parts of Europe and are now increasingly looking to develop global logistics operations.

Meanwhile, other leading international courier companies such as DHL and United Parcel Service (UPS) - and some domestic service operators - are also now increasingly working with customers to expand the scope of their distribution operations.

According to Mr Kevin Appleton, sales and marketing director for Lynx, the UK domestic express delivery company, there has been a blurring of the distinction between parcels distribution and contract distribution.

Operational logistics challenges cannot always be neatly defined into a handler's methods of supply. Usually a logistics problem should be approached with an open mind rather than one which immediately endeavours to classify it in terms of numbers of trucks or parcels, he says.

The main recent development for FedEx in that context has involved a move this year to integrate its previously established logistics operations in the UK, mainland Europe and the US to form one organisation, Federal Express Business Logistics. Future plans

include setting up more "Parts-bank" international distribution centres along the lines of a 30,000 sq ft facility near Leicester opened at the end of last year and others established in Amsterdam and the US.

Explaining the partsbanks concept, Mr Robert Kelly, marketing director, Europe for FedEx Business Logistics, says each centre offers users a detailed menu of international logistics services with a set price for each service. Clients can pick the services they need and pay as they use them.

Users can rent pallet space by the week in a bonded storage area, call off goods to be picked and despatched, or

the main consignment arrives. Previously, CV Branded Menswear had used traditional airfreight for its sample shipments but delays caused by clearance difficulties at London's Heathrow Airport, followed by onward road movement to Northern Ireland, meant a two-week transit time, said a DHL spokesman.

By switching to DHL's integrated system for direct, door-to-door delivery from Japan to Northern Ireland, the company now has control over transit times, guaranteeing delivery in three to seven days, depending on the requirement.

Another major factor influencing the development of express company logistics operations is of course the European Community single market. Mr Brian Bolam, director of TNT Contract Logistics Europe, points out that according to the latest available figures, only 5-7 per cent of existing EC gross national product involves Community cross-border traffic.

That figure, he says, is predicted to rise to 15-25 per cent within five years, a development which will create an upsurge in demand for international distribution requirements as more companies adopt a pan-European approach to their logistics requirements.

Companies are increasingly beginning to operate on a pan-European or global basis. Their procurement and sales are being organised in that way so they are looking for the same with their distribution, he adds.

The latest example of that thinking in practice at TNT involves the company's recent launch in the US of a division called TNT Fulfillment USA. The new operation has been set up to meet the needs of US companies interested in developing markets in Europe by offering them total supply chain management.

Services available to US customers include the provision of mailing lists, creative artwork, direct mail, exhibition removal, international reply paid option and customer service/order entry as well as collection and consolidation, freight distribution to Europe by sea or air, customs clearance and bonded warehousing.



Appleton: blurring



Kelly: detailed menu



Bolam: pan-Europe approach

Other services offered range from full picking, packing, labelling and pre-assembly to billing, debt collection and after-sales activities.

The growing demand for tailor-made European distribution packages is confirmed by Mr Tony Miller, UK-based operations director for the European integrated express delivery activities of US forwarder Air Express International. Increasingly, business is no longer about single consignment movements. It is about the assembly of consignments to be delivered to various points across the destination country, he claims.

Janina Walker on the travails of the UK domestic parcels industry

Customers are trading down as recession calls the tune

IN THE increasingly uncertain world of the £1.5bn UK domestic parcels industry one thing is for sure: the marketplace is jumpy and the recession is calling the tune.

Sliding traffic volumes and crumbling profit margins are extracting a heavy price as a flurry of sell-offs and acquisitions take place and once healthy companies with turnovers running into millions fold up.

Even the top player, which claims a 30 per cent stake of the express parcel market, has not been immune. Parcelforce, which handles in parcels daily and is owned by the Post Office, announced last month that it had made a £75m loss.

British Rail's express service Red Star, billed as No 1 in the same-day delivery arena, reported a £9.2m loss on a turnover of approximately £70m.

And Securicor's Omega Express security and parcel division has borne the brunt of tight margins with half-yearly figures showing profits more than halved to £4.9m.

Operators are being hit by trading down as increasingly cost-conscious customers move away from expensive premium express services to cheaper ones with longer delivery times.

The worsening economic climate has also affected volumes which are estimated by industry watchers to have dipped between 8 and 15 per cent.

Data collected by Mr Martin White, a logistics expert with management consultants Coopers & Lybrand Deloitte, reveal that, after a first decade of unprecedented growth, the industry is now suffering badly.

Mr White says: "Our analysis of recessions in the road based transport sector showed that 15 per cent of failures in the industry were in the parcel and courier category. That is quite a high failure rate."

Companies no longer trading as a direct result of the recession include Eagle Star Express, Neill Clark and Trackernew, each of which had a £5m-plus turnover.

He adds that the 1990 acquisitions revealed a growing trend for small companies to buy out operators smaller than themselves. "They are bargain hunting as people bail out," he explains.

Overall, the industry has experienced a fall-off in vol-

A growing trend for small companies to buy out operators smaller than themselves. "They are bargain hunting as people bail out"

umes of between 8 and 10 per cent. Although some companies may still have the volume, a trend of trading down by customers away from the more expensive express services is likely to hit revenues, he says.

Mr Paul Jackson, chairman of Triangle, specialist management consultants to the freight and transport industry, estimates volumes are across-the-board by between 10 and 15 per cent.

According to Mr Jackson, the bubble has burst for larger operators which used to make considerable profits from premium services. In the 1980s the key markers for the industry was urgency but in the 1990s it is cost, he says.

Other key players in the UK domestic parcel market include TNT, Parceline, Federal

Express, Lynx and United Carriers with minor roles played by express carriers UPS and at the moment, DHL, which is currently negotiating the sale of Elex, its loss-making UK operation.

Lynx - which was formed in 1987 by merging the National Carriers and Roadline divisions of the National Freight Company - has reported a year-on-year volume slide of between 11 and 12 per cent.

However, Mr Alan Soper, managing director, claims that volume has dropped among some of Lynx's competitors by 20 per cent. "There are certainly no more companies coming into the market as capacity has contracted," he adds.

Federal Express, the US air express carrier once noted for its acquisition activity, has this year axed 1,850 jobs and sold off its express courier arm Rapid Despatch as it retrenches back to core small-shipment business.

According to Mr Gary Roth, UK marketing managing director, the restructuring plans were brought forward as the worsening economic climate "has put a lot of pressure on Federal Express," he says.

While Federal Express has shed one company, Parceline part of the Australian Mayne Nickless transport group - has acquired two.

Last October, the company took over recession-hit Conveyor Quick and Reds Transport, with annual turnovers of £7m and £1m respec-

tively.

Mr Robin Davies, Parceline marketing general manager, says the company, whose main focus is high street deliveries, believes consolidation is inevitable as the recession shakes out the weaker carriers.

Parceline, he says, has experienced only what he describes as "the normal seasonal volume loss of 10 per cent so far, unlike some of its competitors."

"We have been asking ourselves why and our answer is that our customer base doesn't include those affected by the recession. We are handling goods such as stationery - the sort of items people are still buying."

Mr Michael Howe, managing director of United Carriers, says his company had suffered volume losses of 5-6 per cent.

But he admits: "People are now looking very hard at premium services and it's true that our two- to three-day services are far stronger at the moment."

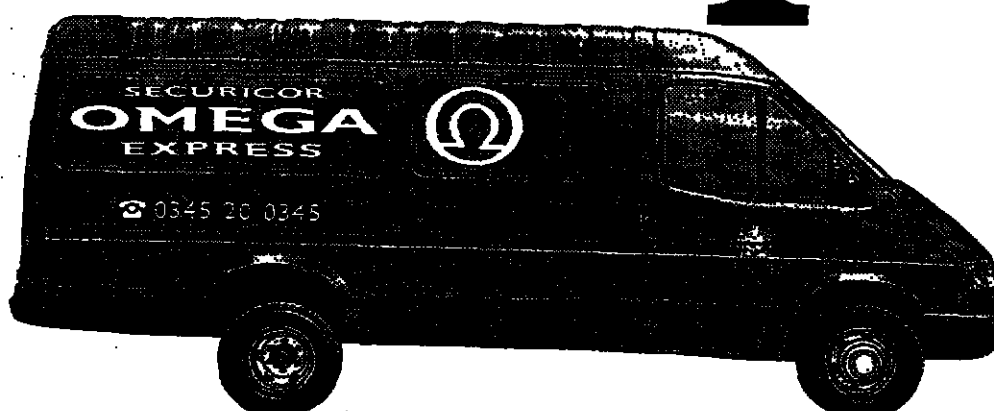
Conversely, TNT Express UK has, according to Mr Tom Bell, general manager, experienced a year-on-year 7.5 per cent volume increase as well as an 8 per cent weight loss.

Mr Bell explains: "In a recession the business pattern changes and people want smaller consignments more often because they don't want money tied up in stock."

"Reliability is the key to this and I believe a lot of operators are falling down because they are unable to give it."

Mr Bell says TNT Express UK had ended its financial year in June on a high note with year-on-year revenue growth of 10.33 per cent and profit up by 8.65 per cent.

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COURIER AND EXPRESS SERVICES 4

Phillip Hastings looks at security measures

Reducing the risk

INTERNATIONAL EFFORTS to tighten up general air transport security have had a significant impact on the courier and express industry.

Great emphasis is now placed on the concept of the "known shipper" - in other words, courier and express companies must know the source of any particular shipment - backed up by the increased use of detection equipment such as X-ray machines.

The risk of courier and express consignments being used by terrorists as a means of getting explosive devices on board aircraft was highlighted by Mr Teun Platenkamp, chairman of the Association of European Airlines' security committee, at last month's World Express Freight and Distribution conference in Amsterdam. "There seems no doubt that terrorist groups will attempt to conceal explosive devices in cargo, express courier packages or mail," he warned.

Meanwhile, the UK Transport Department has just issued a second circular on security for the airfreight industry. It repeats the advice in a circular at the time of the Gulf war when a 24-hour hold on international airfreight shipments flown out of the UK was introduced, unless the consignments had been subjected to X-ray checks or a hand search. In addition, that circular emphasised the need for everyone involved in airfreight activities to check the origins of all consignments.

The main change in the latest circular is a suggestion that, where airlines agree, an airwaybill coding system supported by the British International Freight Association could be used as an alternative to other written confirmation of the origins of a shipment.

Later this year, the department is expected to publish a legally-enforceable directive on air transport security. However, many important questions have yet to be fully answered. For example, who will define the permanent security standards required? What will be the effect of such measures on companies involved in that sector? And how will the department consult with the air freight industry?

try on such matters?

A registration list for air freight companies, particularly freight forwarders, may also be established. Such a list would make it easier for the department to circularise companies with advice and directives, as well as to check whether they are complying with security requirements.

Mr Charles Manetta, founder of TrainingTeam, a company which specialises in organising training courses for the air transport industry, believes such a move could have significant implications for the general airfreight business. "It is all a bit speculative at the moment but if the registration idea is introduced, it could be

'Security cannot wait until goods reach the airport. Shippers will have to be licensed'

that airlines will accept freight from forwarders on the list without taking any further action but will, for example, hold cargo from non-registered companies for 24 hours," he says.

Mr Platenkamp of the AEA suggests the registration idea could in fact be taken much further to embrace shippers as well. "Iata (International Air Transport Association) feels that all companies engaged in the acceptance, storage and forwarding of cargo, courier and express parcel shipments intended for passenger aircraft should be licensed and have a security programme approved by the appropriate authorities," he told the World Express conference.

"Security controls cannot wait until goods reach the airport. Therefore, shippers will have to be licensed and of necessity implement security programmes and measures which satisfy the carriers and government authorities."

One of the less publicised aspects of the security issue that needs to be taken into account by companies providing express and other freight transport services is insurance. During the Gulf war, some freight forwarders were surprised to find that their normal insurance did not fully cover them for war risks and

terrorist threats. As a result, several forwarders had to pay out extra premiums to ensure they were fully covered against all such risks.

There is also a lot of interest in the effect of the EC single market from 1993 on the legal position with regard to transport and transit insurance. With growing demand from shippers for quality services, insurance considerations are likely to increase the pressure on carriers to make sure their security is in order.

Not surprisingly, courier and express companies are reluctant to talk too openly about the security measures they have introduced. Major operators, though, have in many cases already installed X-ray machines and explosive detection devices. TNT, for example, says it uses colour identification X-ray equipment.

"By removing the need for manual checking, we have been able to offset some of the equipment costs and considerably speed up the screening process," says TNT. Apart from the enhanced service levels which have resulted, such measures reduce the need for "physical" inspection - and no customer enjoys the thought that his shipment has been opened, however valid the reason.

TNT also took a strategic decision to check all consignments as they pass through a central hub. The option of placing equipment at airports was rejected since problems might arise when aircraft were diverted because of bad weather.

At the hub, every shipment passes through an X-ray machine monitored by trained staff who are rotated every 20 minutes to ensure maximum attention," according to TNT. Items too big for X-ray are checked by explosive detectors, as are any consignments which show up as suspect during X-ray.

Monitoring has discovered items not suitable for air transport at an early stage so that they can be rerouted with minimal disruption. If these items had been found at the airport just before departure, considerable delays could have occurred to every consignment.

The fax machine has not eliminated the need for fast movement of documents

Hard copies are still indispensable

PREDICTIONS THAT the increasing use of fax machines and electronic mail will steadily reduce the demand for courier service delivery of documents now look wide of the mark, writes Phillip Hastings.

International courier services offering fast door-to-door or desk-to-desk movement of documents and other urgently needed small items started to emerge on a significant scale in the 1970s as the developed areas of the world stepped up their trade with newly emerging markets such as the Middle East and West Africa.

In many cases, traditional methods of sending urgent documents, notably by post, were unreliable, so private sector couriers moved in to fill the gap. Then, postal authorities also developed premium services, for example the Royal Mail Dataquest operation.

A decade later, many courier companies and some post offices began to move much more forcefully into the parcels distribution business. One reason for that move, they admit, was the belief that prospects for continued rapid growth in document delivery traffic would probably be limited by the future development of elec-

tronic communication systems.

Now, however, while conceding that new technology has captured some traditional document traffic, courier companies claim that the growth in international trade and documentation resulting from that have more than compensated for any loss of business.

Indeed, Mr Tony Waring, sales and marketing director of Briddoc, a business mail service operator, argues that the development of fax and electronic data interchange (EDI) has often boosted demand for document delivery services.

"There has been an increase in demand for next-day delivery of documents and mail. Once people get used to electronic transactions, they do not want to wait around three or four days for related paperwork to arrive. They want hard copy confirmation the next day," says Mr Waring.

Mr Douglas West, documents market manager for DHL (UK), the international air express company, maintains that the growth of trade within the European Community will push up demand for document delivery services. He claims there are "inherent restraints" associated with fax and EDI

systems which will ensure that air express services retain their pre-eminence for the foreseeable future.

"For instance, many will not wish to bear the sacrifices associated with fax usage. These include the potential loss of confidentiality, via misdirecting the fax, the variable quality of reproduction of faxed documents, plus the time

'Once people get used to electronic transactions, they do not want to wait three days for paperwork'

it can take to fax. Faxing a 30-page document might require up to half an hour of overseeing," he points out. Mr West also argues that "faxing is an expensive business. To fax the 30 pages from the UK to New York would cost around £33. We could courier that document for about half that cost."

In addition to price, courier companies have sought to combat growing competition from electronic communication systems by streamlining the

document despatch procedures undertaken by customers. Most couriers now supply special packs or pouches which are easy to use and help boost marketing efforts. Last year, for instance, Royal Mail Parcelforce introduced a courier-style pouch - the Datapost Express Envelope - for its UK domestic and international services.

Another problem with EDI and fax machines, claim courier companies, is that there are still many parts of the world where such technology is rare or even non-existent. That point is stressed by Mr Roger Corcoran, now head of TNT Express Worldwide's UK operation, who previously had some 13 years' experience in the courier market.

"Markets continue to expand, for instance in eastern Europe, where communications are still being developed. There are still many businessmen who do not have access to electronic mail. In those instances, courier services are the first choice for distribution of documents. I do not see the courier industry or electronic mail replacing each other - I see them eventually being complementary," he says.

Another growth area for courier companies is the movement of intra-company correspondence. Many large organisations now use a private contractor to move mail overnight between locations.

Last month, for example, Lynx, the specialist services division of NFG, the express delivery company, won a £800,000-plus contract to deliver internal mail for Safeway, the supermarket chain. It involves the movement of more than 8,000 items of internal mail and stationery each week to the UK company's 550 supermarkets, 20 offices and 15 distribution centres.

Safeway used to distribute internal mail via its fleet of store supply vehicles. But the company's policy was that did not guarantee next-day delivery. According to Mr Kevin Appleton, sales and marketing director for Lynx, the winning of the Safeway account demonstrates that there are niche markets to be found even in industries with already established distribution processes.

"Companies can generate a lot of paper unsuited to electronic transmission which does not move efficiently through networks designed for the delivery of produce," he says.

Companies are investing millions of pounds on information technology

Tracking: customers call the tune

COURIER AND express customers increasingly demand that their service suppliers provide them with consignment tracking capabilities and fast reporting of general management information. And they want such information systems to be fully compatible with general EDI (electronic data interchange) developments, writes Phillip Hastings.

To meet those demands, courier and express companies are investing millions of pounds in information technology (IT). United Parcel Service, of the US, for example, has spent \$1.4bn on computer-based technology development worldwide in the past five years.

Other global express majors such as Federal Express, DHL

and TNT have also invested heavily. Royal Mail parcels delivery organisation Parcelforce is spending some £3m this year on new international tracking and tracing facilities.

Domestic express companies are following suit. For example, Parceline last month announced plans to invest £2m more to upgrade its parcel management system. Improvements will include greater control over consignments and the integration of parcel tracking with billing operations.

Airfreight forwarders involved in providing express delivery services are now concentrating much of their effort on the information technology sector. US company Emery Worldwide has spent \$35m

upgrading its Emcon computerised tracking and tracing system, while another US-based forwarder, Air Express International, has moved further down the road towards EDI with the development of a two-way computer link with British Airways to provide instant shipment status information anywhere in the world.

According to Mr Louis du Pre, TNT Express Worldwide project manager for European operations, information technology will be the weapon used by companies in the battle to establish customer service standards and market share. As a result, TNT has embarked on a multi-million dollar reorganisation of its IT operations to create eventually one com-

mon global system.

"Information technology is being used in two key ways. The operational efficiencies of the expanding networks are dependent on increasingly sophisticated computer networks to hold them together. Customer communications are also being enhanced through the development of information technology systems," says Mr du Pre.

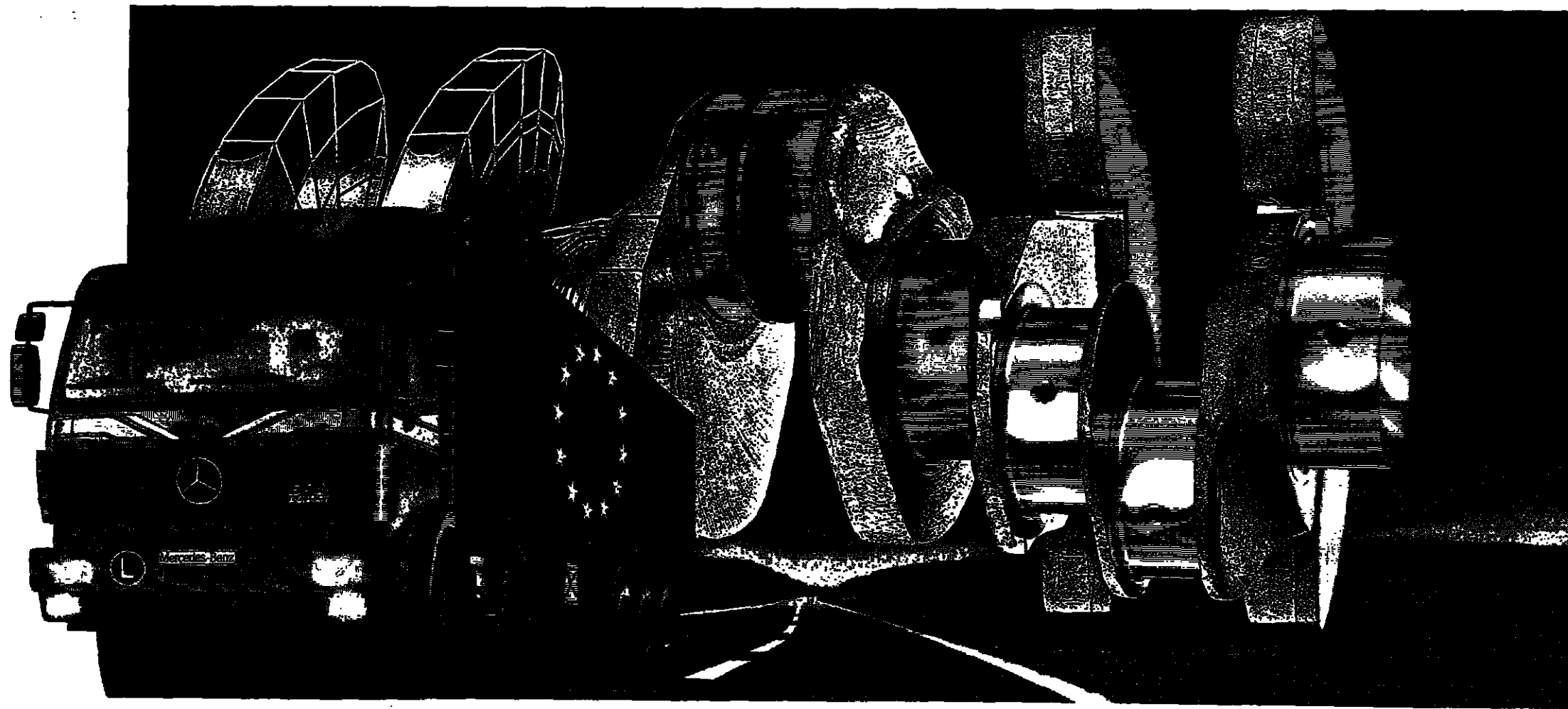
Much of the express industry IT development to date has centred on consignment tracking. More advanced systems now track shipments at various points in their door-to-door movement such as the pick-up from consignor, arrival at the delivery service company's local depot, arrival/despatch at

the main parcels sorting hub, arrival at the local depot nearest to premises of the consignee and the final delivery.

Increasingly, express operators are opting to use bar coding to identify parcels being handled through their systems. So far, such development has occurred mostly in European and US domestic operations but now the technology is beginning to spread to the general international sector.

Airborne Express, for example, plans to introduce bar code-based scanning technology worldwide for the tracking of both its express and freight shipments by end-1992/early 1993. The new developments will involve further

Continued on Page 5



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COURIER AND EXPRESS SERVICES 5

Phillip Hastings on how wholesale operators are coping

Debt: where the buck stops

TIGHT CREDIT control has now joined entrepreneurial flair as a key management requirement for providers of international wholesale courier and express services.

Wholesale services are used by small and medium-sized courier express and forwarding companies which lack the resources to develop and support their own worldwide express delivery networks. Wholesale operations offer them a chance to compete with the major integrators in international coverage.

However, some industry giants use wholesale services for routes and markets where running their own operation is not economically viable. These services may also be used as a back-up to their own systems.

In the past few years, competition and the recession have made expansion of these wholesale operations into sizeable and viable businesses increasingly difficult, particularly for independent operators lacking the backing of a strong parent organisation.

Those problems were highlighted when one of the best-known names in its field, Wholesale Courier Network/Inflight, went into liquidation in 1988. Nine months later, another prominent wholesale operator, UK-based Scan Courier, relinquished its independent status to join the Edinburgh-based distribution services group, John Menzies.

Now, with recession biting deeper, many small courier and express companies which use wholesale services are run-

ning into financial difficulties. Mr Mel Bromley, UK-based European regional manager for Jupiter Air, the wholesale air express division of Japan Air Lines, admits that means the wholesalers cannot afford to allow their customers much leeway in terms of credit.

"The problem is that everyone is exporting debt. The shipper passes on his debt to the retail courier who then passes it on to the wholesaler, which is where the buck stops. To deal with it, we have taken steps to tighten up our credit arrangements. In fact, we are extremely nervous about giving anyone credit right now."

Supporting evidence for that view comes from Mr Larry Woelk, managing director of Scan Courier. "Credit control is probably our largest single problem. Because so many companies have become insolvent, we have had to implement very stringent credit control policies or not handle the business."

Though forced to tighten up their financial controls, wholesalers are also continuing to develop new services and market niches necessary to sustain their overall development.

Scan, for example, which has to date been best known for its daily European overnight door-to-door services on behalf of trade customers to Scandinavia and various markets in Europe, last month opened an office in New York and is now providing wholesale services from there to the UK, the Continent and Scandinavia. The company hopes to

introduce westbound services into the US, particularly from the UK, within a month.

Also due to be launched this month is a comprehensive service from the UK to Africa in conjunction with French wholesaler Universal Express. Scan has already built up services from London to English-speaking African countries such as South Africa, Kenya, Uganda and Nigeria. It now plans to route its traffic through francophone Africa through the Universal network in Paris. "They will use our services out of London for the English-speaking countries," says Mr Woelk.

Jupiter, which to date has concentrated on providing wholesale services to Asian markets such as Japan, Hong Kong, Singapore and Australasia, is also expanding its service network, particularly from Germany which is now being developed as the company's main continental hub alongside London.

Recently-started new services include Frankfurt/Hong Kong, principally using flights operated by German carrier Lufthansa, and Frankfurt to Moscow using Aeroflot. A third new service, linking the German hub to Sydney, Australia, using Australian airline Qantas, is due to start shortly.

"We are looking to develop Frankfurt as a hub for services into eastern Europe. We are studying the possibilities for a Frankfurt/Warsaw service. We are also hoping to start a London/Moscow service fairly soon," says Mr Bromley.

A relative newcomer planning expansion is Bridges Worldwide, set up by Mr Guy Bridges, former TNT Skypak worldwide linehaul manager, at the beginning of 1990.

Bridges Worldwide has an agreement with Singapore Airlines under which it acts as its wholesale courier agent. Operations focus on marketing SIA's daily B747-400 services from Heathrow to Singapore and beyond to Hong Kong, Taipei, Bangkok and Sydney. Bridges Worldwide also works with South African Airways to provide wholesale services and recently opened an office in South Africa.

Bridges Worldwide, says Mr Gary Kendall, general manager, is set to become ground handling and general sales agent for an onboard courier service being introduced by Virgin Atlantic Airways. Called Virgin Express, the service will initially be operated on Virgin's flights from London Heathrow to Tokyo, New York and Los Angeles. Likely launch date is August 1.

IMPLEMENTATION OF the Single European Market from January 1993 will mean many changes for express parcel and courier operators. Deregulation of air transport and road freight services should be fully in place by that date.

There are some major hurdles still to cross before implementation is achieved, not least the question of Community air carriers. The European Council is keen to introduce full deregulation into air freight operations.

However, the regulations relating to air cargo services were drafted by the Commission in such a way as to exclude the major integrated air express carriers, such as Federal Express, TNT and United Parcel Service, from benefiting from European Carrier status. DHL, their main competitor, did gain the status through its subsidiary European Air Transport (EAT).

The integrators provide a door-to-door service in which the consignments remain with them. Not to have European carrier status would have put them at a severe disadvantage to DHL. They argued that the European Council should either exclude all the major service providers or include them so as to provide "a level playing field" but not distort the market by allowing DHL to have the status.

Intensive lobbying resulted in the regulation adopted in February this year, excluding EAT from European carrier status along with the other integrators. While this prevented the market from being artificially

The EC single market

A level playing field is needed

distorted, it remains an unsatisfactory answer for European industry in terms of the services operated and the alternatives they provide.

EAT is based and registered in Belgium and the Belgian government reportedly lobbied for a reversal of the decision. The other integrators are fighting to stop such a reversal.

A decision by Europe's transport ministers has been deferred until later in the year. Giving equal status to all or none would be the most appropriate decision to bring in the "level playing field".

There is a lot at stake for all parties involved as Europe's postal market is estimated to be expanding at a steady rate of some 10 per cent a year for the core products of letters and more than 25 per cent for other sectors such as parcels. In addition to the integrated carriers and the postal authorities there are also regional and local express carriers, courier companies and the airlines.

The Association of European Express Carriers estimates that the annual turnover of express carriers amounts to over Ecu1.5bn. Of this Ecu1.5bn is accounted for by international shipments and

main European business centres, next day parcel services and remail. Some of these services are forecast to grow at a steady 30 per cent a year to the end of the decade. The postal authorities claim that the express companies pursue only the low cost, high profit postal traffic but for the major companies which have invested huge sums in aircraft, road vehicles, land facilities and computers and to track and trace consignments, volume is as important and recession in several European countries has added to the burden of securing sufficient revenue to support heavy investment.

The long delayed green paper has generated many jokes about late deliveries as originally it was due in the summer of 1990, then the autumn and now July 1991.

It is expected to define a common set of standards on weight, price, speed of delivery and service to customers throughout the European Community. After consultation with the postal authorities, express and courier operators and airlines, the Council of Ministers is due to examine the proposals in November.

The next few months should provide the postal authorities and express companies with a clear view of which directions they will be allowed to follow in the future. In the single market is likely to generate a substantial increase in all areas of transport-related business, not least the express sector.

David Robinson

The postal authorities have much ground to make up as the express carriers have exploited weaknesses

But they have combined their resources to put in place a range of products and a quality of service which match those of the major express carriers.

Many traditional national barriers had to be overcome before successful co-operation was achieved and there remains much ground to make up as the express carriers have exploited weaknesses in the local monopolies and won sizeable chunks previously held by the post offices.

The express carriers have introduced earlier deliveries in

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COURIER AND EXPRESS SERVICES 6

PUBLICATION OF A European Commission green paper on the future of European postal services, originally scheduled for the first half of 1990, is now expected shortly.

However, marked differences of opinion within the Commission over the extent to which the postal sector should be opened up to more private sector competition from courier and express companies - differences which have been largely responsible for the delay in publishing the green paper - remain.

Those divisions were highlighted last month when two leading commissioners gave widely-differing messages on the subject when they spoke at an international express industry

only can there be any justification for permitting the monopoly to continue in that service on a monopoly basis," he said.

The European Commission, he added, had already undertaken a "resolute and successful" campaign against post offices claiming monopoly rights over express mail, culminating in cease and desist orders against the Dutch and Spanish governments last year.

"This has assured new choice and growth in the market as the post offices respond with new express services of their own, proving that the courier companies can be regarded more properly as precursors rather than predators."

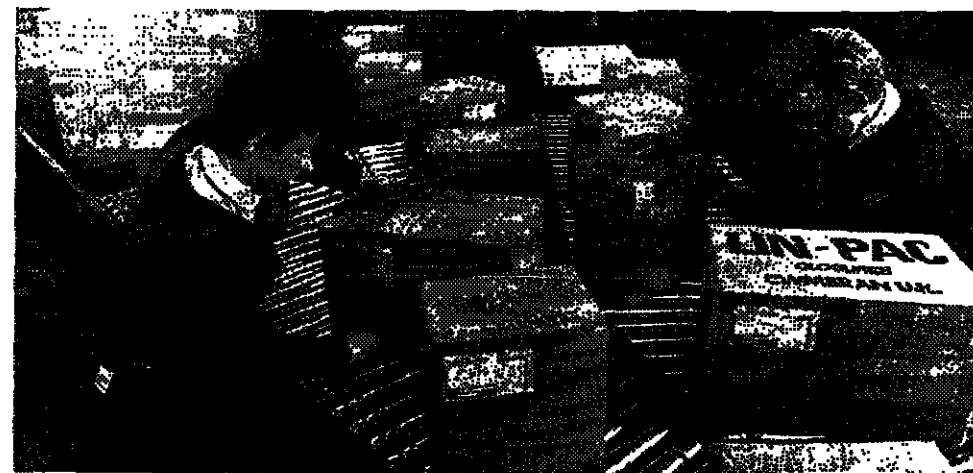
The next day, though, Mr Pieter Waltevredsen, director-general for the commission's DGXII, which is responsible for telecommunications, information industries and innovation matters, took a very different line.

"The possibility of radical liberalisation of the postal market is contrary to the practical reality of the universal service obligation requiring a universal network which is not economically viable everywhere. There must be a core of reserved services which ensure the provision of the basic universal service," he said.

He also admitted that the slow progress of the green paper had been due to differences of opinion within the commission. "The commission is a rather complicated animal. There are many different points of view. The consulta-

Phillip Hastings looks forward to a long-awaited EC green paper

Why it's still in the post



The EC green paper on postal services is expected soon

tions between the various directorate-generals have taken more time than expected," he added.

Once the green paper is published, it is likely to be followed by six months or so of intensive discussion between all the interested parties before the issue goes before the European Parliament. The commission still hopes to have the resulting legislation in place by the time the EC single market is due to become a reality at the end of 1992. However, outside observers believe that target may prove too optimistic

because of the controversy the proposals are likely to generate. Precise details of the green paper proposals are still largely a matter for conjecture but general opinion within the courier and express industry is that they will centre on two particular issues - competition and quality control.

On the competition front, latest indications are that the commission will recommend that certain postal services remain reserved for the national postal authorities. As for quality control, the green

paper is likely to focus on ways of developing standard levels of service for postal deliveries throughout the EC, as opposed to the current situation where transit times can range from two days to two weeks.

Other possibilities for inclusion in the green paper are proposals to establish some form of OfTel-style regulatory authority or authorities to deal with future postal monopoly matters. It is also likely that some types of private sector mail activity, particularly within the EC, will be banned. However, earlier fears

among private courier and express companies that the planned general harmonisation of postal services in line with the general concept of the EC single market will lead to the development of an integrated European postal organisation with an even stronger monopoly than that currently enjoyed by existing individual national post offices appear to be receding.

Elaborating on the key issues which are likely to be covered by the Green Paper, Mr Paul Waterschoot, head of European Commission state monopolies and public enterprise department DGIV, said last year that they would include the definition, in each country, of the basic services which could be protected from competition. That definition, he told an international freight industry conference, would have to include an element of minimum price and a clear description of the different stages involved in the provision of the service.

One way of defining such a service would be to say that it is the collection at the post office or in postboxes of a 20-gramme letter and the sorting, transport and distribution of those letters at the premises of the addressee for a uniform tariff of ECU2, he suggested.

"The next step would be to establish that any service which did not fit in with this definition would fall outside the monopoly. This would mean that a service which did not include all the different elements mentioned would not fall within the limits of the monopoly. Services provided by consolidators or document exchanges would thus fall outside the limits of the monopoly and could be performed by private operators."

Mr Colin Mitchell, chairman of the UK-based Mail & Express Services Users Association, says his members strongly support the idea of semi-competition between post offices and private operators. They are aware that private companies do not on the whole

have the desire or the infrastructure to undertake universal letter deliveries but still believe there are areas of operation in the mail/package delivery market which should be open to competition.

"Any attempt to restrict the current levels of service choice available to customers would seriously impair the ability of business to function in the Community," he adds. "My association strongly supports the semi-competition scenario. This would preserve the social element of universal postal deliveries through the concept of 'reserved services' but would allow open competition for value-added services without resort to the 'loophole' operations or 'grey area' activities which we see at present."

SAME-DAY DELIVERIES

The pace can be too much

DURING THE 1980s, high-speed same-day deliveries mainly by motorcycle became a multi-million pound game of pass the parcel as quickly as you can for anyone who cared to join in.

But the recession has taken its toll and as the volume of business slides by 30 per cent nationwide, liquidation and consolidation are changing the face of this classic example of the free enterprise market.

Instant response, short-distance delivery mainly by self-employed messenger, is a hybrid of the much larger express market and has its very own niche within it.

Pick up any telephone book for a major city or town and you will see countless businesses in this market which, although it has two large national carriers operating within it, TNT and Securicor Omega Express, has its roots based locally.

Although in such a transient industry it is impossible to quantify the number of businesses affected by the recession, insiders believe that hundreds have gone to the wall with one startling estimate of 50 per cent of those in London.

What is happening in the London market, generally held to be the biggest and worth £150m, is probably being repeated nationally.

This market is shrinking as companies pruning budgets consider the cost and viability of using same-day delivery and those who still opt to do so look for the best services at the most competitive prices.

The pace of the business has proved merciless for some operators who, in spite of drastic price-cutting, have still not been able to compete.

"Putting it simply," says Mr Paul Meunier of North London based express courier West One, "the sort of companies who use our services want it done yesterday and some operators do not have the financial backing to invest in what they need to provide it."

Mr James Greenbury, director of On Yer Bike, based in central London, says customer expectations have risen as they look for the most cost-effective, reliable service.

"Two-thirds of our collections are made in 10 to 15 minutes which some operators, lacking that number of vehicles, just can't match."

On Yer Bike was established in August 1989 with the aim of growing by acquisition. Since then, it has absorbed seven more companies. Three - Security Despatch, No Sweat Couriers and Way To Go Couriers - were taken over last year. Mr Greenbury admits that the recession has eased the way along the acquisition trail.

A similar path has been followed by Delta Couriers, which took over Direct Link with a £1m turnover, in April 1990. Express courier West One, which has 400 vehicles and operates on a national and international basis through agents, is currently taking what is probably a unique approach to acquisition.

In a move described by Mr Meunier as "a marriage of the utmost convenience", it involves West One taking in half-a-dozen small companies, providing staff, systems and office space on a monetary basis involving rental, profit sharing or both.

Mr Meunier explains: "Each operator has an individual contract but in a year to 18 months can decide to go back on its own or to let us take it over at a figure related to profitability."

Already there is a waiting list for the scheme, Mr Meunier says. It was set up nine months ago and has increased business, although the company has experienced a 20 per cent downturn in volumes.

Addison Lee, which has four London offices and a £3m turnover, handles 2,000 customer accounts. It has seen its domestic business cut by a quarter and is charging lower rates than two years ago.

Mr John Griffin, managing director, estimates the nationwide downturn in business at 30 per cent. "There is no denying that this is a very difficult time. But if times are tough for big companies such as ourselves they are impossible for smaller operators."

He fears that up to half the courier and express companies in London have gone out of business since the recession.

'Companies using our services want it done yesterday and some operators do not have the finance for it'

started. "I think the main problem was that a lot of these people were vulnerable because they did not have the necessary business experience."

Mr Malcolm Blumel, managing director of express courier Rapid Despatch, which has offices in London and Birmingham, says there has been a 25 per cent year-on-year downturn in business volume in London.

"Companies are having to cut overheads and costs to stay afloat and those who can't afford to do so are simply going out of business," he says.

"There is a real fight going on for market share. Last summer the market was extremely buoyant with no-one giving discounts except to major users. Now, even smaller clients are looking for discounts and going elsewhere if companies can't afford to give them."

"Our industry is essentially a local one and without a doubt consolidation is going on across the country into the hands of major local companies rather than national express carriers."

Mr Paul Jackson, of Triangle, specialist management consultants to the freight and transport industry, believes that in the long term, the recession will have a positive effect on the industry.

Consolidation of this market is a golden opportunity for rationalisation and consolidation in what is the most crowded segment of the transport sector, he argues.

Mr Jackson believes the recession will change the face of the industry. "Companies will now be looking more at transport economics. Technology that is coming in can trace the courier to maximise the loading. At the moment there are about 200 motorcyclists travelling between London and Birmingham every day. All with one-way deliveries - and that is uneconomic."

Janina Walker

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local post office (or by inclusion in your company collection).

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INTERNATIONAL COMPANIES AND FINANCE

Daimler-Benz to take majority control of Sogeti

By William Dawkins in Paris

DAIMLER-Benz, the German industrial giant, has been granted an option to take agreed majority control of Sogeti, the holding company which controls Cap Gemini Sogeti, Europe's largest computer services group.

Mr. Edouard Reuter, Daimler-Benz's chairman, yesterday signed a wide-ranging FF2.4bn (\$406m) agreement with Mr. Serge Kampf, Sogeti's founder and chairman, in which the German group will take a 34 per cent stake in Sogeti and subscribe to a convertible loan initially, and buy a warrant to subscribe to a capital increase in 1995.

The outline of the deal was announced three weeks ago. They welcomed the deal, in which the companies will co-operate at first in Germany and later elsewhere in Europe, the US and the Far East, as a way of helping both companies widen their product ranges and expand their computer services businesses internationally.

This was a partnership and Daimler-Benz was "neither a conqueror nor a raider," stressed Mr. Reuter.

They will seek other industrial partners of any nationality to join the partnership and hope to make a further announcement soon, said Mr. Kampf.

Daimler-Benz will pay FF1.2bn for its share stake, which includes 25 per cent of existing shares, with the remainder of the 34 per cent coming from a capital increase reserved for Daimler-Benz.

It is also buying FF1.2bn of Sogeti loan stock, which can be converted into shares during a 12-month period from February 1995, lifting the German company's stake in Sogeti to 89 per cent. On top of this, Daimler-Benz is to pay FF250m for a warrant to subscribe to another Sogeti capital increase during the year beginning February 1995, which would allow it to increase its stake to a majority.

Equally, Sogeti has the right to buy back Daimler-Benz's warrant if the partnership does not work out, in which case the German company can either hold on to its remaining shares or ask its fellow shareholders to buy it out. Sogeti had no plans to use what was planned merely as an emergency exit route, said Mr. Kampf.

The first stage will be a German joint venture to be 51 per cent held by Daimler-Benz's computer services unit and 49 per cent by Cap Gemini Sogeti, which will combine its German subsidiary with the new partner.

UBS sees 'significant' growth in earnings

By William Dullforce in Geneva

UNION BANK OF SWITZERLAND, the country's biggest, announced yesterday a "significant improvement" in consolidated earnings during the first half, but gave no figures.

A spokesman said the improvement applied to both cash flow and net earnings, but the percentage increase in the net profit had been smaller because of higher allocations to provisions.

The parent bank reported "substantially improved" results compared with the first half last year. For 1990 as a whole, UBS posted a 13.5 per cent decline to Sfr780m (\$503m) in the parent bank's net profit, while group net earnings at Sfr897m were down by 9.3 per cent.

First-half net interest income had easily surpassed the level reached during the first six months of 1990, due to higher lending abroad, a firmer dollar and more favourable margins in foreign currency business, the bank said.

Commission income from international corporate banking business had registered an impressive rise. An excellent first quarter had led to a gratifying increase in returns from securities trading, but income from foreign exchange, banknote and precious metals trading had fluctuated only narrowly above last year's level.

Expenses had been kept within budget, despite inflation and exchange rate trends.

UBS parent bank's total assets of Sfr195.9bn at the end of June reflected a 4.9 per cent increase over the six months. Customer loans rose by 3.8 per cent to Sfr112bn during the second quarter. Holdings of securities gained 15.5 per cent to Sfr11.7bn, while funds due from banks declined by 4 per cent to Sfr9.3bn and holdings of bills and money market paper were reduced by 29.2 per cent to Sfr4.4bn.

On the liabilities side, customer deposits rose by less than Sfr1bn to Sfr121bn after climbing by Sfr11.1bn in the first quarter.

Emerging from the shadows to a testing time

Katherine Campbell reports on the new man at the helm of Germany's Commerzbank

THE incoming chief executive of Commerzbank presents his communications department with something of a challenge. For Mr. Martin Kohlhaussen, in marked contrast to his predecessor, is a manager who believes business is conducted most effectively at several removes from the glare of publicity.

"Mr. Kohlhaussen would like to end the year with a set of excellent results, and then have people asking who is behind them," laments one Commerzbank staffer, whose job is to encourage the experienced international banker to become more talkative.

Presiding over Germany's third largest bank since the beginning of June, the new man is giving exceptionally little away. "If I came in and altered our priorities for the next decade I would hardly be credible since I was closely involved in the decisions of the last 10," said Mr. Kohlhaussen, who joined as a managing board member in 1982.

One of the toughest questions of all will be how to foster European growth as the European association, hitherto the focal point of Commerzbank's strategy for continental Europe, threatens to fall apart. This was a loose association of banks in France, Spain and Germany aimed at greater co-operation in retail banking. Mr. Kohlhaussen bravely contends the six-month "thinking time" agreed by the four banks is "quite normal" in a 20-year association. But he acknowledges how far the parties involved have grown apart.

Banco Hispano Americano, in which Commerzbank has a

10 per cent shareholding, is in the midst of a merger with Banco Central, a deal that will create Spain's largest bank, more than halving the Commerzbank shareholding.

Banco di Roma, the Italian European partner, is also preoccupied with a merger with two other domestic institutions, again creating the country's biggest bank. Meanwhile, it is Crédit Lyonnais's expansive mood outside its borders that has largely precipitated the Europeaners' crisis.

The tone of the bilateral talks between the French and Commerzbank concerning a cross-shareholding has also been soured - especially since



Martin Kohlhaussen: a thoroughly international outlook

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assets stemming from international business, and Commerzbank's strongest of the big three German banks in the US for instance. Mr. Kohlhaussen has no intention of letting that position slip - seeing for example (as yet undefined) possibilities in south-east Asia. But the unravelling of the Europeaners would still leave a vacuum in continental Europe.

For now, Mr. Kohlhaussen's priorities are strongly domestic. Much of his first month in office was spent on a swing through the 65 east German branches, where he accumulated a detailed knowledge of the growing network and is predicting a 10 per cent market share of available corporate business by year-end.

The first-half results - due out at the end of this week - will also show how cheap funds collected in the east have helped to improve interest margins significantly.

August, meanwhile, sees the start of a three-year domestic restructuring - very much Mr. Kohlhaussen's brainchild - that is designed to improve administrative efficiency and give better-trained staff more time for their customers.

Although no sweeping reductions in branches or personnel are envisaged, smaller branches will pass on corporate business to larger operations in the region. Implementation will not be without its political sensitivities, as the biggest regional branches will be halved in number from 40 to 20. As Mr. Kohlhaussen's first big test, it will be some time before it is clear how much leaver and fitter Commerzbank will emerge.

KLM seeks 10% of market

By Ronald van de Krol in Amsterdam

MR. PIETER Bouw, the president of KLM, said that the group aims to have 10 per cent of the European market for scheduled air services in 10 years' time, compared with just 2.6 per cent at present.

KLM's European market share was too low, the president told the annual press conference, particularly compared with the 10.3 per cent held by Scandinavian Airline Systems (SAS) and the 17.5 per cent stake held by the Air France group of airlines.

KLM will pursue its ambitions for a greater market share through organic growth

and possible new partnerships with other airlines. One reason for KLM's small share is the lack of major domestic routes. It is particularly strong on intercontinental routes.

Mr. Bouw said KLM was following a dual and simultaneous strategy of reducing its costs and strengthening its market position.

Mr. Bouw declined to comment on KLM's results in early 1991-92, or the prospects for a resumption of dividend payments. Last year the group omitted a dividend after posting a net loss of F1630m (\$515m).

Arvin Industries merger proposal with Boge blocked

By Andrew Fisher in Frankfurt

ARVIN INDUSTRIES, a US car components-maker, claimed yesterday it was being blocked from pursuing a merger proposal with Boge by the opposition of Commerzbank, heading a group which owns the majority of the German parts manufacturer's shares.

"It shocked us," said Mr. James Baker, chairman and chief executive of Arvin Industries, which wants to combine with Boge, a maker of shock absorbers.

"We were invited in by the manage-

ment of Boge. We opened our books, showed them our manufacturing facilities, and had meetings in Frankfurt."

Mr. Baker said he had been told Commerzbank had an imminent deal involving Boge. Commerzbank had no comment on its attitude to Arvin or the possibility of a sale of Boge to another German company with automotive interests. Together with VDO, a German instrument-maker, and Scamper, a Zurich-based investment company, the bank

controls 50.1 per cent of Boge.

Arvin, advised by Merrill Lynch, the US investment house, has told Boge's majority shareholders that it wants to combine their shock absorber businesses to form the world's largest manufacturer in this sector. It would be based in Germany.

Arvin, which also has an emission controls business, has annual sales of \$1.7bn. Boge, with an annual turnover of around DM650m (\$370m), said it knew nothing of Arvin's intentions.

"Arvin is known to us because of its various products," said Mr. Günter Tripp, a Boge director. "But merger talks are not the job of the management board. That is for the shareholders." He said there had been "technical contacts" with Arvin.

Mr. Baker said: "We made an offer in writing." Arvin had had no contact with Boge's other big shareholder, Sogeti, the Italian automotive company headed by Mr. Carlo de Benedetti: its stake is 44 per cent.

GE Capital acquires 3% stake in BBV

By Peter Bruce in Madrid

GENERAL Electric Capital, the financial services arm of General Electric and one of the largest non-bank financial services groups, is to take a stake of around 3 per cent in Spain's biggest bank, Banco Bilbao Vizcaya (BBV), as part of an Iberian and pan-European joint venture between the two groups.

The entry of GE Capital in the BBV's shareholding would considerably boost the Spanish bank's standing and capability abroad, bank officials said yesterday.

They hoped the GE link would provide the same opportunities for the bank in the US as it has with Nippon Life insurance group had done in Japan.

Nippon Life has about 3 per cent of BBV, and the bank claims the link has enabled it to capture business normally unavailable to foreign banks.

BBV is understood to have approached GE Capital a year ago after deciding to seek out a powerful US partner. According to details of an agreement released yesterday, the partners will establish a joint financial services affiliate - Finasavia for Iberia.

It will be owned 65 per cent by BBV and 35 per cent by GE Capital. GE Capital's know-how in leasing, factoring and in private retailers' credit cards to break new ground in the Iberian market. GE Capital, signalling its interest in Europe, has recently acquired the Harrods, Burtons and House of Fraser credit card franchises in the UK.

The two have also formally

agreed to begin offering selective project finance services in Spain and Portugal. BBV officials said the two were interested in large complex projects.

BBV is already a major shareholder in the Spanish electricity generating industry and the two are likely to be prime leaders to Spanish utilities when a new power plant building programme begins in the latter half of the decade.

BBV officials said they also hoped to become involved as minority shareholders in other European investments made by GE Capital. For a Spanish bank, this is a relatively novel way to internationalise, but BBV has not felt as comfortable with buying large stakes in foreign retail banks - as has its local rival, Banco Santander - and nor has it or any other Spanish bank made any headway in European financial services or investment banking markets.

BANCO Santander has allocated the bulk of Ptas3.31bn (\$459.4m) in extraordinary first-half income to general provisions, a bank official said. He said the provisions, totaling Ptas4.69bn, did not reflect losses but rather a parking operation for the funds.

The bank earlier reported first-half group pre-tax profit of Ptas7.83bn, up 21.4 per cent on the same period last year.

The extraordinary income was largely from the sales of Santander stakes in Electra de Viesgo to Empresa Nacional de Electricidad SA-Endesa and in Banca Jover to Crédit Lyonnais.

Amev asks for financial details on Mutual Benefit

AMEV, the Dutch insurer, has asked for financial details of the disability, life and health insurance activities of Mutual Benefit Life Insurance, the troubled US insurer. Reuter reports.

Mr. Aris Fakkert, a company spokesman, said that "with a healthy interest we have asked for further information on that company." He added no takeover talks were being held, but these could take place.

The US group was seized by state regulators last week. Mr. Fakkert said the Mutual Benefit operations in which Amev is interested are profitable. He gave no further details.

Re repeated his earlier statement that Amev is examining more than one

possible takeover target in the US.

"It (Mutual Benefit) is really not the only company which we are looking at," he said.

Mutual Benefit said there were a number of potential investors who were interested in the business, but it declined to elaborate further.

Long before last week's seizure, the company had sought to prop up its financial position with either the sale of operations or some form of capital infusion.

Sentiment towards the company took a turn for the worse last year after talks with Metropolitan Life, the second largest US insurer, broke down, leading eventually to a run of surrenders at the company.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

Registration No. 01/05309/06

NOTICE OF SEPARATE CLASS MEETING OF S ORDINARY SHAREHOLDERS AND THEN A GENERAL MEETING

Notice is hereby given that

(a) a meeting of the holders of the S ordinary shares in Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, 15 August 1991 at 9.10 a.m. or immediately following the conclusion of the annual general meeting which is to commence at 9.00 a.m. on the same day, whichever is the later, for the purpose of considering and, if deemed fit, of passing with or without modification, the following resolution:

"Resolved as a resolution passed as a special resolution as contemplated in article 43.2 of the Corporation's articles of association that the conversion of the S ordinary shares of 10 cents each in the Corporation into ordinary shares of 10 cents each as set out in the special resolution proposed in terms of paragraph (b) of the notice convening this meeting, be and it is hereby sanctioned."

(b) a general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, 15 August 1991 at 9.15 a.m. or immediately following the conclusion on that day of the separate class meeting, whichever is the later, for the purpose of considering and, if deemed fit, of passing with or without modification, the following special and ordinary resolutions:

Special Resolution
"That subject to the passing of the resolution proposed in terms of paragraph (a) of the notice convening this meeting and pursuant to the provisions of article 41.8 of the Corporation's articles of association:
— all of the authorised 65 000 000 S ordinary shares of 10 cents each, of which 3 380 052 have been issued and 61 619 948 are unissued, be and they are hereby converted into ordinary shares of 10 cents each ranking pari passu in all respects with the existing ordinary shares of 10 cents each in the capital of the Corporation; and
— article 6 of the articles of association of the Corporation be and it is hereby deleted."

Ordinary resolution
"That subject to the passing and registration of the special resolution proposed in terms of the notice convening this meeting and after providing for the allotment and issue of ordinary shares in terms of the share incentive scheme and the employee shareholder scheme, the directors are hereby authorised to allot and issue all or any portion of the remaining unissued ordinary shares of 10 cents each in the capital of the Corporation in their discretion in terms of and subject to the provisions of the Companies Act, 1973, as amended, and the rules and regulations of The Johannesburg Stock Exchange."

The reason for proposing the special resolution is to provide for the conversion of the authorised and issued S ordinary shares in the capital of the Corporation into ordinary shares. The resolution will have this effect and will also effect the deletion from the articles of association of the Corporation of article 6 which contains the conditions attaching to the S ordinary shares.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the general meeting must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to attend and vote at the separate class meeting of S ordinary shareholders and/or the general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation. Proxy forms must be lodged with the Corporation's share transfer secretaries by not later than the times indicated thereon. Completion of a form of proxy will not preclude a member from attending the meeting.

By order of the Board
C. L. MALTBY
Secretary

Registered office: 44 Main Street, Johannesburg 2001 (P.O. Box 61587, Marshalltown 2107)

London office: 40 Holborn Viaduct, London EC1P 1AJ

Share transfer secretaries: Consolidated Share Registrars Limited, First Floor, Edgars, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107)

Barclays Registrars Limited, Bank House, 34 Beckett Street, London EC3A 3TU

24 July 1991



NATIONAL BANK OF CANADA

YEN 11,000,000,000 Floating Rate Notes due 1992

In accordance with the description of the Notes, notice is hereby given that, for the interest period July 22, 1991 to January 21, 1992 the Notes will carry an interest rate of 7.45% p.a.

The interest payable on January 21, 1992 against coupon # 9 will be YEN 373,409 per Note of YEN 10,000,000.

The Reference Agent
THE TOKAI BANK, LIMITED

BANK OF GREECE

US\$150,000,000

Floating rate notes due 1994

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 6 7/8 per cent for the period 24th July 1991 to 24th October 1991.

Total interest payable on 24th October 1991 will amount to US\$338.36 per US\$100,000 Note and US\$338.77 per US\$250,000 Note.

Agent: Morgan Guaranty Trust Company

J.P. Morgan

These shares having been sold, this announcement appears as a matter of record only.

July, 1991



FF 527,608,500

Offering of 128,685 shares (FF 25 nominal value)

Issue Price: FF 4,100 per share

French offering of 65,629 shares

CREDIT LYONNAIS

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Société Générale
Crédit Commercial de France
Banque J.P. Elkann S.A.
Banque UBC - Orléans Bungeur Courvoisier

International offering of 63,056 shares (*)

CREDIT LYONNAIS SECURITIES (London)

Comity NatWest Limited
Easikda Securities
Baring Brothers & Co. Limited
Credit Suisse First Boston France
Goldman Sachs International Limited

(*) US Private Placement (Rule 144 A) of 12,869 shares

CREDIT LYONNAIS SECURITIES (USA) INC.

Schlumberger

SCHLUMBERGER LIMITED SECOND QUARTER EARNINGS UP 25%

New York, New York, July 18 - Schlumberger Limited reported that improvements at each business group lifted second quarter earnings to \$181 million, a gain of 25% over the same quarter a year ago. Earnings per share were \$0.76, 25% higher than one year ago and 36% higher than the preceding quarter as offfield activity shook off both normal seasonal effects and delays resulting from the Gulf War. Compared with one year ago, operating revenue in the second quarter was \$1.55 billion, up 20%. Excluding acquisitions, revenue increased by 12%.

During the first six months of 1991, both net income and earnings per share increased 15%, to \$314 million and \$1.22 per share, respectively, compared with the same period one year ago. Operating revenue was \$3.06 billion, up 22%, compared to the first half of 1990.

Evan Baird, Chairman, stated, "In spite of a 7% decline in active worldwide drilling rigs during the second quarter, offfield revenue increased in all areas, led by significant activity growth in the Eastern Hemisphere and Latin America. New products and services fueled this continued growth."

He further stated, "The quick recovery of business confidence after the Gulf War seems to ensure that the economies of the world will pull out of the present recession sooner rather than later. The growing activity in the offfield outside North America reflects governments' and oil industry's continuing effort to broaden the base of new oil supplies. As a result, we believe that the progress reflected in the results of the second quarter will continue."

CREDIT LYONNAIS CANADA

USD 18,000,000

SUBORDINATED FLOATING RATE GUARANTEED DEBENTURES DUE 2001

Debtentureholders are hereby informed that the rate applicable for the second interest period has been fixed at 6.75%.

The coupon # 2 will be payable at the price of US\$ 3,420.00 on January 22nd, 1992, representing 184 days of interest covering the period as from July 22nd, 1991 to January 21st, 1992 inclusive.

The Reference Agent and Principal Paying Agent
CREDIT LYONNAIS LUXEMBOURG S.A.

Secured Floating Rate Notes due 1992

Interest rate US\$6.00% p.a. from 24th July 1991 to 24th October 1991. Payable per US\$100,000 Note US\$3.00.

By Citicorp N.A., Citicorp Direct Agent

CIVIS INTERNATIONAL LIMITED

Series CIVIS 15

US\$2,000,000

Secured Floating Rate Notes due 1992

Interest rate US\$6.00% p.a. from 24th July 1991 to 24th October 1991. Payable per US\$100,000 Note US\$3.00.

By Citicorp N.A., Citicorp Direct Agent

This announcement appears as a matter of record only.

\$1,000,000,000

The Equitable Life Assurance Society of the United States

\$250,000,000 Surplus Notes

\$750,000,000 Secured Notes

These securities have been placed with

AXA

These securities are exchangeable for Common Stock of the Equitable Life Assurance Society of the United States, at which time AXA and its subsidiaries will have the right to purchase shares of the Company.

The undersigned, together with Peter Wodtke and [redacted] Lufkin & Jenrette, are placement agents and financial advisors to the Equitable Life Assurance Society of the United States in connection with the negotiation and placement of these securities.

Donaldson, Lufkin & Jenrette

J.P. Morgan

Goldman, Sachs & Co.

July 23, 1991

INTERNATIONAL COMPANIES AND FINANCE

Monsanto slips into red for quarter

By Karen Zagor in New York

MONSANTO, one of the biggest US chemical companies, yesterday posted strong growth in its underlying second-quarter earnings, but a big charge in the quarter pushed the company into a net deficit.

On Wall Street, Monsanto's shares climbed to near their 52-week high of \$74, adding \$3 to \$73 1/2 by midday.

For the three months ended June 30, Monsanto posted a net loss of \$52m, or 42 cents a share, including an after-tax charge of \$35m, or \$2.84 a share. In the second quarter of 1990, Monsanto recorded net income of \$247m, or \$1.90 a share. Sales in the three months rose 4 per cent to \$2.47bn from \$2.37bn.

The St Louis-based company

said its underlying second-quarter earnings were \$278m, or \$2.12 a share, excluding the restructuring charges.

Mr John Garcia, an analyst at Wertheim Schroder, cautioned that the earnings reflected an exceptionally low tax rate of 27 per cent, compared with 34 per cent last year and 35 per cent in the first quarter.

"On an apples-to-apples basis, Monsanto's second-quarter earnings were about \$1.87 a share," he said.

In June, Monsanto said it would cut its 41,000-strong workforce by 2,500 and take a second-quarter charge. The company, which moved away from commodity chemicals

towards less cyclical products during the 1980s, said its restructuring mainly involved the consolidation of some of its chemicals operations.

Mr Richard Mahoney, chairman and chief executive, said Monsanto's agricultural business had its best ever quarter. "Our chemicals unit is steadily recovering from the effects of the recession, and the results for our NutraSweet unit remain on track. Fisher Controls, which has held up extraordinarily well through the depths of this recession, saw good order levels, although some softening in orders began to appear toward the end of the quarter," Mr Mahoney said.

Monsanto's agricultural products operations, which include Roundup herbicide, had operating income of \$243m, including benefits of \$30m from the restructuring. In the 1990 second quarter, the business brought in operating income of \$165m.

Monsanto's chemicals business suffered an operating loss of \$37m in the quarter, including restructuring charges of \$47m. Demand for its chemicals products declined in the latest quarter, but the company said there was steady growth in demand for its fibres products in particular. In the 1990 second quarter, the unit had operating income of \$127m.

Bankers Trust shows steady growth

By Patrick Harverson

STEADY growth in almost all of its main business areas boosted second-quarter profits at Bankers Trust to \$185m, or \$2.16 a share. The New York-based group made profits of \$174m, or \$2.06, in the same quarter a year ago.

A big contribution came from BT's capital markets and global trading businesses, which brought in trading revenues of \$325m, 30 per cent up on a year ago.

The bank enjoyed success trading less developed countries' (LDC) debt, foreign currencies, government bonds, and commodity and currency derivative products.

Asset and fund management was another strong area for the group, with revenue rising 22 per cent to \$141m. A decline in corporate finance fees to \$58m, however, depressed total fees and commissions to \$22m to \$125m.

BT's loan portfolio stood at the end of the second quarter at \$18.09bn, down from \$21.4bn at end-1990. The allowance for credit losses stands at \$1.97bn, or 10.9 per cent of total loans. During the quarter, BT raised its provision for credit losses by \$52m.

American Express slips 20%

By Martin Dickson in New York

AMERICAN EXPRESS, the US travel and financial services group, announced a 20 per cent drop in second-quarter net income.

The reported second-quarter net income of \$255m, or 53 cents a share, down from \$320m, or 73 cents, in the same period of 1990, on revenues of \$6.4bn, against \$6.01bn. The figures were slightly better than expected.

The results incorporated a previously-announced \$144m write-off of Sheraton's investment in First Capital Holdings, a Californian insurer seized by regulatory authorities.

TRS reported net income of \$241m, down 3 per cent, while IDS earnings rose 19 per cent to \$61m. Sheraton had operating income of \$98m, but FCH and other write-offs meant a net loss of \$97m, compared with net income of \$51m.

Hughes Aircraft to expand non-defence side

HUGHES Aircraft, the leading US defence electronics group, has announced plans for a restructuring, designed to help its expansion into non-defence markets at a time when the American military budget is rapidly shrinking, writes Martin Dickson.

The company said it was considering consolidating its seven operating units into three business areas by the mid-1990s: aerospace and defence; telecommunications and space; and new commercial business, which would concentrate on building up non-defence operations in areas where the group had a particular expertise. Hughes Aircraft is a subsidiary of General Motors, the largest US carmaker, and wants to increase its support for GM's automotive operations.

US defence spending is falling at about 5 per cent a year and Mr Malcolm Currie, chairman of Hughes Aircraft, wants to reduce the company's dependence on the defence sector from about 70 per cent of sales to around 50 per cent.

Mr Lockhead Sanders, a unit of the US Lockheed defence group, and Matra Defence of France have signed a memorandum of understanding to jointly develop and market an air defence system.

Falconbridge tumbles 63%

By Robert Gibbons in Montreal

FALCONBRIDGE, Canada's second biggest nickel producer, posted a second-quarter profit of \$39.9m, down 63 per cent from \$110.5m (US\$23.1m) Revenues were \$463m, down 11 per cent.

First-half earnings were \$354.4m, up 15 per cent, on revenues of \$393m, a fall of 8 per cent.

The company is now 50-50 owned by Noranda of Canada and Trebilcock of Sweden.

TransCanada PipeLines reported a 17 per cent gain in second-quarter profits to \$452.7m, or 33 cents a share. First-half earnings rose to \$120m, or 66 cents a share, from \$107.5m, or 62 cents, last time.

Carter Holt sells holding in Bridge Oil for net loss

By Mark Westfield in Sydney

CARTER Holt Holdings, the New Zealand forestry group, has sold its 49.6 per cent stake in Bridge Oil, the Australian oil and gas producer, for a net loss after trying for 12 months to dispose of the holding.

Carter Holt sold the 205m shares to stockbrokers BZW Australia and Bain Securities for 52 cents a share. The stockbrokers later placed the stock with institutions at 53 cents.

The New Zealand group had been trying to sell the shares since it acquired the holding when it purchased Elders Resources NZEP from Elders IXL (now called Foster's Brewing Group).

When Carter Holt gave BZW and Bain an exclusive mandate

to sell the Bridge holdings at 70 cents a share in June, there was little interest above the market price at the time of 56 cents to 60 cents.

Bridge Oil's share price has fallen to a 10-year low, while Carter Holt has been trying to sell its shareholding.

The share price is expected to recover now the Carter Holt shares no longer overhang the market.

Bridge shares have also suffered following the forecast by Mr Robert Strauss, the chairman, last May that the average gas price for its US production for the 1991 year would be 20 per cent lower than in 1990.

Carter Holt has also been trying unsuccessfully to sell

the once profitable Simsmore recycling business it also inherited with the Elders Resources purchase.

Negotiations with potential Japanese buyers appear to have broken down and the company is considering listing Simsmore.

Carter Holt said when it bought Elders Resources that it would sell all of the company's non-forestry operations.

Carter Holt itself is under threat of a creeping takeover by Brierley Investments. The New Zealand group stands to move to a 80 per cent holding in Carter Holt if it exercised its call option it holds over the remaining 6.5 per cent held by the Carter family.

BNZ 'operating profitably'

By Terry Hall in Wellington

BANK of New Zealand was operating profitably in all key areas of its operations following December's drastic restructuring, according to Mr Syd Paisley, chairman.

The bank required a NZ\$660m (US\$375m) capital injection from its leading shareholders, the New Zealand government and Fay Richwhite, the merchant bank, after revealing that it faced substantial asset write-downs in Australia, following the country's deteriorating economic outlook.

Mr Paisley said yesterday that subsequent events in Australian banking had proved that BNZ was correct in moving quickly and decisively, with some estimates of the

level of underperforming debt across all banks in Australia at A\$10bn (US\$12.2bn). He said that it was too early to make any realistic projections on profitability for the coming year, but he believed the benefits of the "hard decisions" undertaken in the past two years were showing through.

Mr Lindsay Pyne, managing director, said recoveries set up to handle the poorly performing loans as part of the restructuring, were proceeding on target.

He said BNZ had paid the government NZ\$51m in tax, that it would not otherwise have received. Before December's agreement, BNZ could have treated this as a tax

credit. This was on top of the 15 per cent tax paid return on the loan money advanced by the government as part of the restructuring arrangements.

He told a shareholder that he "couldn't guarantee" that the government would not sell its shareholding in the bank in the next 12 months. "But I'm not aware of any move by them to sell, and I would expect we would be advised."

Mr Len Bayliss, a long-term critic of government economic policy, resigned as a government-appointed director. Two new directors were appointed: Mr Kerry Macdonald, managing director of Comco New Zealand, and Mr Sandy Miller, chief executive and statutory manager of DFC New Zealand.

GPT promises bigger dividend

by Mark Westfield

GENERAL Property Trust, Australia's largest listed property trust, has promised an increased distribution for the June half despite a 7 per cent fall in net operating income for the six months.

The trust announced a second-quarter distribution of 7.2 cents for each unit, taking the total payout for the six months to June 30 to 14.1 cents, of which 5.2 cents will be tax free. GPT paid out 13.3 cents for the same period last year. The

6 per cent increase is twice the manager's revised minimum distribution growth target.

Directors forecast a total payout for the 1991 calendar year of 28.5 cents.

GPT's manager, Australian Funds Management, said the group's portfolio of retail and central business district properties withstood downward pressure on rental income with a sharp fall in interest income to blame for the lower earnings.

The result was also affected by the revaluation of two key properties, its prime Australia Square and MLC Centre towers in Sydney.

Total asset value has been reduced as a result of the revaluation to A\$1.82bn (US\$1.42bn) from A\$1.9bn.

Australia Square has been revalued to A\$400m from the A\$490m last year and the 20 per cent-owned MLC Centre is down 3 per cent to A\$68m.

Lazard Freres to advise Newmont on investments

By Nikk Tail in New York

SIR JAMES Goldsmith, the Anglo-French financier who holds 42 per cent of Newmont Mining and recently agreed to join the US gold group's board, said Newmont's newly-formed "corporate strategy committee" had called in Lazard Freres, the New York investment banking firm, for advice.

It was announced last week that Sir James will chair the five-man committee - whose other members include Mr Gordon Parker, Newmont's chairman, and Rudolph Agnew, originally Hanson's representative on the board but retained by Sir James when he acquired most of the UK group's stake in Newmont.

Sir James told analysts in New York on Monday the committee was "focusing on where we ought to be going in an effort to generate internal and external growth."

Asked whether it would concentrate on opportunities in the gold industry, Sir James said he believed that "you build on strength", adding that it would have to be "an unusual situation" to merit examination outside this field.

Sir James denied he had been the motivating force behind the recently abandoned merger plan involving Newmont and American Barrick. He claimed the deal had failed because many of the merger benefits lay in one particular geological area - the Carlin Trend deposit in Nevada - and that these could be achieved by private contract.

When he acquired Hanson's 49 per cent Newmont stake - along with funds managed by Lord Rothschild, which took the other 7 per cent - Sir James suggested his holding would be reduced. But he said this week that he was "in no hurry". Instead, he enthused about prospects for gold.

Newmont Mining, meanwhile, has reported second-quarter profits of \$22m against \$31.5m a year earlier. The latest figure is after \$3.5m of "unusual charges". In 1990, there were \$6.1m of unusual charges and \$11m profits from discontinued operations.

Proton group takes 15% stake in C&C

By Lim Siong Hoon in Kuala Lumpur

EDARAN Otomobil Nasional (EON), the Malaysian distributor of the Proton car, is to take a 15.1 per cent shareholding in Cycle & Carriage (C&C), a publicly-listed car assembler operating in both Singapore and Malaysia.

The \$302m (US\$108.8m) deal, paid for with 32.5m EON shares, will expand EON's involvement in the Singapore car market, where C&C is a Proton distributor.

In the two countries, C&C assembles and distributes the Mercedes Benz range, but also sells Mitsubishi in Singapore and Mazdas in Malaysia.

Proton, made in a state-controlled plant with Mitsubishi technology and engines, is 50 per cent of Malaysia's output.

Last year, EON reported a 103 per cent rise in pre-tax profit to M\$112.2m on a turnover of M\$2.1bn. C&C, which will gain 21 per cent of the expanded EON, reported a 1991 first-half operating profit of M\$30m.

GFW unloads Barcora stake

By Mark Westfield

GOODMAN Fielder Wattie, the Australasian food group, yesterday cleared away the last of the bull market baggage taken on under Mr Pat Goodman, its former executive chairman, as it sold the 9.2 per cent stake it held in Barcora, its wholly-owned subsidiary.

Barcora, the former management vehicle 51 per cent owned by executives, was wholly acquired by the company at the end of the 1990 financial year for a nominal A\$2. Goodman Fielder took a loss of

A\$81m (US\$63m) on the purchase as part of a total of A\$203m in write-downs on various investments that plunged the group into loss for the year.

Goodman chose to delay its sale of the Barcora parcel until after Foster's Brewing Group unloaded its 9.8 per cent stake in June.

Mr Michael Nugent, group managing director, said the A\$168m proceeds from the Barcora sale would be used to reduce debt.

The shares were crossed by Potter Warburg at A\$1.70 each, 13 cents below market and well under the A\$2.15 Goodman Fielder needed to break even on the investment. There was no significant holding in Goodman Fielder overvaluing the market as a result of yesterday's sale.

Mr Nugent predicted that Goodman Fielder's net profit for the 1991 year would be between A\$100m and A\$150m and he would recommend a dividend of 6 cents a share.

AECI declines 56% in first half

By Philip Gawth in Johannesburg

A COMBINATION of difficult international and domestic trading conditions saw AECI, South Africa's largest chemical company, record a 56 per cent fall in earnings in the six months to end-June.

Turnover at AECI, whose main shareholders are Imperial Chemical Industries and Anglo American, rose 5 per cent to R2.5bn (\$74m), but net trading income was 38 per cent down to R136m.

Mr Mike Sander, managing

director, said the results - the third reporting period in succession to show a 10 per cent real reversal in turnover - reflected the "unrelieved downturn in demand".

Earnings per ordinary share declined to 32 cents from 73 cents in the same period last year.

The interim dividend has been cut to 13 cents from 30 cents per share.

Apart from recessionary conditions in the domestic market,

AECI was also hit by the weakness of the international chemical industry and ineffective protective structures - which have made the local industry vulnerable to dumping.

Mr Sander cited F&W loading on South Africa's shore at R400 a tonne compared with world domestic prices closer to \$550 a tonne.

Mr Sander anticipates little improvement in trading conditions, but the second half of the year is traditionally better

Mobil set back by lower refining margins

By Karen Zagor

MOBIL, the second biggest integrated oil company in North America, yesterday reported a 6 per cent decline in underlying second-quarter earnings to \$40m.

Underlying gains in exploration and producing were not strong enough to offset weakness from refining and marketing in the three months.

Net income in the quarter months was \$45m, or \$1.08 a share, against \$49m, or \$1.13, a year earlier. The results

include gains of \$44m in the latest quarter from asset sales, while the 1990 results benefited from net special items of \$7m.

Mr Paul Mottok, an analyst at Morgan Stanley, said the results were in line with his expectations, and he had no plans to adjust his 1991 estimated earnings of \$5 a share.

In the first half, Mobil had net earnings of \$1.16bn, or \$2.81 a share, against \$98m, or \$2.13, in the 1990 period.

Mr Allen Murray, chairman,

said: "As anticipated, second-quarter earnings were significantly lower than the exceptionally strong first quarter, largely because of lower international earnings. International marketing and refining saw refining margins fall from the record high levels experienced early this year when cold weather in Europe and the situation in the Middle East prevailed."

Excluding one-time items, exploration and producing

brought in underlying operating earnings of \$53m in the quarter, up 24 per cent from the previous year. Including special items in both periods, earnings fell to \$26m in the latest quarter from \$27m.

Income from marketing and refining was essentially unchanged, at \$27m in the quarter against \$27m a year earlier. Excluding special items, operating earnings from the business fell \$5m in the quarter.

Occidental advances to \$147m

By Martin Dickson in New York

OCCIDENTAL Petroleum, the US energy group which has been undergoing a restructuring since the death of its chairman, Dr Armand Hammer, yesterday announced net income of \$147m, or 49 cents a share, in the second quarter, compared with \$89m, or 30 cents, a year ago. Sales were unchanged at \$5.1bn.

However, the figures for the two periods were distorted by special items. The 1991 figures included an after-tax gain of \$8m from the sale of the company's interest in a coal mine

in China and a \$12m tax benefit. The 1990 figures included a \$41 after-tax gain from the sale of certain oil and gas properties and \$20m of tax gains.

Mr Ray Irani, Occidental's new chairman, said the company was ahead of schedule with its restructuring plan, which was designed to cut the group's high level of debt through \$1.5bn of asset sales by the end of this year.

As well as the Chinese coal deal, Occidental has sold its North Sea oil interests and expects to complete the spin-off

of its domestic natural gas liquids business by the end of the third quarter.

Occidental's oil and gas division earned \$44m in the second quarter, up from \$48m, thanks to higher crude prices, increased natural gas volumes and higher domestic natural gas liquid prices. The natural gas transmission division made \$48m, down from \$51m.

The chemical division saw earnings drop from \$17m to \$12m, because of lower margins on petrochemicals and other products.



Ray Irani: restructuring plan on schedule

Soft fuel demand pushes Imperial Oil into deficit

By Bernard Simon in Toronto

SOFT DEMAND for fuel and weak oil and gas prices pushed Imperial Oil, Canada's biggest oil company, into a second-quarter loss.

Imperial, 70 per cent owned by Exxon, swung to a C\$68m (US\$45.5m) loss, equal to 33 cents a share, from earnings of C\$28m, or 14 cents a share, a year earlier. Last year's figures included a C\$222m gain on divestments.

Revenues fell to C\$2.34bn from C\$2.65bn.

The Canadian market for refined oil products has been unexpectedly weak this year, and the industry's margins have been severely squeezed. Canada's refineries have

higher operating costs than their larger US counterparts, and high prices have led a growing number of Canadians living near the border to fill up their cars on the US side.

The Canadian industry's profits have been further hit by the unrelenting drop in natural gas prices.

Imperial said that the third quarter is likely to show some improvement, with wider margins and lower fixed costs.

The second-quarter loss was far higher than most analysts had predicted. Canada's other two integrated oil companies, Shell Canada and Petro-Canada, are also expected to report losses.

Northern Telecom gains 11% on STC contribution

By Bernard Simon

NORTHERN Telecom, the Canadian telecommunications equipment supplier, lifted second-quarter earnings by 11 per cent and revenues by 24 per cent, largely because of the contribution of STC, the British group acquired earlier this year.

However, the Toronto-based group cautioned that the recession in North America and some European markets made prospects for the rest of the year uncertain.

Net earnings in the second quarter were US\$106.5m, or 42 cents a share, up from US\$95.7m, or 37 cents, a year earlier. Revenues climbed to \$2.1bn from \$1.7bn.

Order input for the quarter was 19 per cent higher at just over \$2bn, and the \$2.8bn order backlog on June 30 was 52 per cent up on a year earlier.

A company official declined to specify STC's contribution, which has been consolidated into Northern Telecom Europe. Revenues from all key prod-

uct lines improved, with the largest percentage increase coming from STC's non-telecommunications businesses.

Sales grew in all regions except Canada, where recession and an accounting change pushed revenues down by 3 per cent. Growth was especially strong in Europe, Latin America and the Caribbean.

The company did not disclose an earnings breakdown, but acknowledged that its markets were "extremely competitive". Dr Paul Stern, chairman, said he was "cautiously optimistic" about prospects for the rest of 1991.

Northern Telecom has sold several of STC's non-core businesses, including its land cable, electrical components and electronics distribution divisions. The first two are included in the second-quarter results. Proceeds have been used mainly to reduce debt, which stood at US\$2.4bn on June 30, down from US\$2.9bn three months earlier.

US QUARTERLY RESULTS

AMOCO, one of the largest US integrated oil companies, posted second-quarter earnings of \$338m, or 48 cents a share, against \$373m, or 75 cents, last year. Revenues were \$6.7bn against \$7.4bn.

First-half earnings were \$1.04bn, or \$2.06 a share (including a gain of \$11m, or 82 cents, from an accounting change), against \$945m, or \$1.66. Revenues were \$14.1bn against \$14.5bn.

Latest statistics include after-tax provisions of \$68m related to restructuring of operations and write-downs in the chemical business.

ATLANTIC RICHFIELD, the US oil company, registered second-quarter net income of \$246m, or \$1.51 a share, against \$291m, or \$2.36, a year ago. Sales and other revenues were \$4.2bn against \$4bn.

First-half net income was \$597m, or \$3.68 a share, against \$683m, or \$4.91, last time. Sales and revenues were \$8.9bn against \$8.2bn.

GRUMMAN, the largest US producer of carrier-based aircraft, reported second-quarter net income of \$29.6m, or 66 cents, against \$26.7m, or 78 cents, a year ago. Sales were \$1.01bn against \$1.05bn.

First-half net income was \$52.1m, or \$1.51 a share, against \$43.2m, or \$1.25. Sales, against \$43.2m, or \$1.25, compared with \$1.59bn, or \$4.59, a year earlier.

JOHNSON & JOHNSON, a leading manufacturer of health-care products, posted second-quarter net earnings of \$406m, or \$1.22 a share, against \$353m, or \$1.06. Sales were \$3.03bn against \$2.79bn.

First-half earnings were \$624m, or \$2.47, against \$597m

or \$1.79. Sales were \$6.2bn against \$6.5m.

First-half 1990 figures were reduced by \$125m, or 38 cents a share, after tax due to a first-quarter non-recurring charge for the permanent impairment of certain assets and operations in Latin America.

KINGSTON RUMBER, the newspaper group, posted second-quarter income of \$41.6m, or 82 cents a share, compared with \$44.6m, or 88 cents, a year ago. Revenues fell to \$569.5m from \$591.7m.

First-half net income fell to \$87.4m, or \$1.14 a share, from \$70.5m, or \$1.37. Revenues slipped to \$1.11bn from \$1.15bn.

The group warned that it did not expect earnings-per-share growth in 1991 despite an anticipated strong fourth quarter unless the economy showed a vigorous improvement. It earned \$148.1m, or \$2.94, in 1990.

PEPSICO, the world's second largest producer of soft drinks, reported second-quarter earnings of \$313.3m, or 39 cents a share, against \$282.5m, or 36 cents, a year ago. Sales were \$4.7bn, against \$4.2bn.

First-half earnings were \$533.7m, or 65 cents, against \$474.4m, or 59 cents. Sales for the six months were \$5.6bn, against \$4.9bn.

Earnings for the 1990 periods include a \$9.1m unusual charge (\$5.5m after-tax, or \$0.01 per share) to write off receivables in domestic soft drinks and snack foods due to a major retail customer filing for bankruptcy. In addition, share data has been restated to reflect the August 1990, three-for-one stock split.

Compiled by Rioka Nachoma

The Republic of Panama
U.S. \$50,000,000
Floating Rate Serial Notes due 1991
For the six months
25th July, 1991 to 27th January, 1992
In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 7.0525 per cent per annum, and that the interest accrued on the outstanding unpaid principal to 27th January, 1992 will be U.S. \$182.45.
The Industrial Bank of Japan, Limited
Agent Bank

BRISA
Auto-Estradas de Portugal S.A.
Japanese Yen 10,000,000,000
Guaranteed Floating Rate Notes 1992
In accordance with the description of the Notes, notice is hereby given that for the interest period from July 22, 1991 to January 21, 1992, the Notes will carry an interest rate of 7.3 per cent per annum.
The interest payable on the relevant Interest Payment Date, January 21, 1992 against coupon No 9 will be Yen 365,891 per Note of Yen 10,000,000 nominal.
The Agent Bank: Kredietbank S.A. Luxembourg

U.S. \$75,000,000
SWEDBANK
(Sparbankernas Bank)
Subordinated Floating Rate
Notes due 1997
Notice is hereby given that for the three months interest period from July 24, 1991 to October 24, 1991 the Notes will carry an interest rate of 6 1/2% per annum. The interest payable on the relevant interest payment date, October 24, 1991 will be U.S. \$4,072.82 and U.S. \$102.92 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000. The sum of U.S. \$102.92 will be payable per U.S. \$10,000 principal amount of Registered Notes.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
July 24, 1991

SNIPAKO BANK
Notice is hereby given that for the three months interest period from July 24, 1991 to October 24, 1991 the Notes will carry an interest rate of 6 1/2% per annum. The interest payable on the relevant interest payment date, October 24, 1991 will be U.S. \$4,072.82 and U.S. \$102.92 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000. The sum of U.S. \$102.92 will be payable per U.S. \$10,000 principal amount of Registered Notes.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
July 24, 1991

INTERNATIONAL CAPITAL MARKETS

Treasuries weaken ahead of two-year note auction

By Patrick Harverson in New York and Simon London in London

APPROXIMATELY ahead of the auction of two-year Treasury notes, bond prices weakened across the board yesterday.

By midday, the benchmark two-year government bond was down at 96 1/2, yielding 8.470 per cent. The two-year note was also lower, down at 100 1/2, yielding 8.514 per cent.

With large amounts of two-year (\$12.5bn) and five-year (\$12.5bn) paper due to be sold, investors and investors remained cautious about dipping their toes into the pre-auction market. Subsequently, trading activity was reported to be extremely light as prices slipped back slightly in the absence of buyers.

Such was the market's lethargy, that a warning by the chairman of the president's council of economic advisers that the Federal Reserve must be prepared to lower interest

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA	12.000	11/01	105.9143	-0.310	11.02	10.95	11.16
CANADA	10.000	06/00	102.1500	-	8.48	8.48	8.30
FRANCE	8.750	12/01	98.8250	+0.200	9.06	9.06	9.06
GERMANY	8.000	11/00	97.8250	-0.175	9.27	9.28	9.24
ITALY	8.000	02/98	96.3000	-0.071	10.27	10.28	10.28
JAPAN	8.000	01/01	101.8400	-0.100	8.18	8.18	8.18
NETHERLANDS	8.375	05/01	98.0300	-0.340	8.67	8.68	8.51
SPAIN	12.500	03/01	97.8250	-0.090	13.35	13.27	13.21
UK	11.500	07/96	98.3250	-0.400	12.17	12.17	12.07
US TREASURY	8.000	05/01	98.01	-0.022	8.59	8.54	8.29
	8.125	05/01	98.02	-0.022	8.68	8.64	8.40

London closing. * Denotes New York morning session. Yield: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

per cent, a figure of close to 4.5 per cent would intensify fears that inflation is running out of control.

The fall in German bond prices narrowed the yield spread between bunds and French government bonds. At the benchmark 10-year maturity, the yield spread is now 53 basis points, against 55 basis points on Monday. This compares with a yield spread of over 100 basis points in June.

However, a cut in French interest rates appears distant for now. Even with French inflation running below that of Germany for the first time in 18 years, the weakness of the franc in the European exchange rate mechanism, and the risk of a further rise in German rates, leaves the French monetary authorities with little room for manoeuvre.

UK government bond prices fell sharply yesterday, wiping out the gains seen on Monday following the release of retail sales figures.

Longer-dated gilts saw the

Crédit Foncier lifts Ferri stake to 33.5%

By George Graham in Paris

CREDIT Foncier, the leading French property financing institution, has lifted its stake in stockbroker Ferri to 33.5 per cent, reinforcing the broker's capital base.

Ferri, which will still be 33.5 per cent-owned by Mr Alain Ferri and Mr Bernard Ferri, was one of the last independent brokers in Paris.

Since the collapse of Tuffier last year, however, investors have been increasingly wary of dealing with firms which do not have the explicit backing of a large financial institution.

Credit Foncier, which previously owned 15 per cent of Ferri, will thus become the broker's sponsor, alongside the Caisse des Dépôts et Revenus, the state financial institution, with 10 per cent, and Union des Assurances de Paris (UAP), the leading state-owned insurance company, which will raise its stake to 6.6 per cent.

The operation mirrors the recent move by the Caisse des Dépôts to lift its stake in Fancher-Magnan-Durant des Andols, another independent broker, to 35 per cent.

Ferri, whose profits plunged last year to between FF10m and FF15m compared with FF35m to FF40m the year before, said yesterday it expected to report positive results for 1991.

The whole Paris broking profession has faced profits pressure because of declining trading volumes and thinner commission rates due to heavy competition and investment costs.

The independents, however, have faced the most difficult clients as they sought to reassure clients worried by the Tuffier affair. In that instance, the largest shareholder, the Caisse Centrale des Banques de France, refused to take over responsibility for the failed broker. Private clients had to wait for nearly a year to be repaid.

Heavier loss for Marine Midland

By Angus Foster in Hong Kong

MARINE Midland Banks, a wholly-owned subsidiary of the Hongkong Bank, yesterday announced a second-quarter net loss of US\$37m, its fifth successive quarterly loss. Losses for the first half of the year totalled \$109.3m, compared with \$19.8m in the same period last year.

The bank also made further provisions for loan losses of US\$31.9m as it continued to be hit by losses on real estate and commercial lending in the weak US economy.

The results reflect the depressed state of the US banking sector. They will add to the troubles of the Hongkong Bank, which suffered a 35 per cent fall in profits last year, mainly due to losses from its US and Australian operations.

Mr John Bond, who was last month sent from Hong Kong to take over the troubled US arm after the former chairman resigned, described the results as disappointing. "Our focus is to address our difficulties head on and reduce our expenses," he said.

Marine Midland has undergone a thorough restructuring since the Hongkong Bank bought the New York-based bank in 1987. However, although staff and occupancy costs fell in the first quarter, total operating expenses rose 4.6 per cent. This was partly due to restructuring costs and costs incurred while operating repossessed real estate.

Marine Midland's results were expected at Hongkong, where trouble among its overseas subsidiaries has affected Hongkong Bank's share price. Last week, the stock came under pressure on rumours - that proved to be false - that Marine Midland was preparing to make heavy loan loss provisions.

Hongkong Bank said it was too early to assess when Marine Midland's problems would end. No recovery would come before the US economy picked up, it said.

Fokus to propose shares write-down

FOKUS BANK, the third largest Norwegian commercial bank in terms of assets, will call an extraordinary meeting for August 7 to approve a planned write-down of shares from Nkr50 to Nkr10, writes Our Financial Staff.

The write-down will be the bank's second this year following heavy losses and two injections of government capital. For the first four months of this year, Fokus' operating losses more than doubled.

NEW ISSUE

23rd July, 1991



NAKAYAMA STEEL WORKS, LTD.

(Kabushiki Kaisha Nakayama Seikoshu)

U.S.\$120,000,000

5 per cent. Guaranteed Bonds 1996

unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

with

Warrants

to subscribe for shares of common stock of Nakayama Steel Works, Ltd.

Issue Price 100 per cent.

Nomura International

Sanwa International plc

Yamaichi International (Europe) Limited

Toyo Trust International Limited

Banque Bruxelles Lambert S.A.

Banque Indosuez

Barclays de Zoete Wedd Limited

Baring Brothers & Co., Limited

BNP Capital Markets Limited

Deutsche Bank Capital Markets Limited

Dresdner Bank

Robert Fleming & Co. Limited

IBJ International Limited

KOKUSAI Europe Limited

LTCB International Limited

Merrill Lynch International Limited

Mitsubishi Trust International Limited

New Japan Securities Europe Limited

Nippon Credit International Limited

Salomon Brothers International Limited

Sanyo International Limited

Sumitomo Trust International plc

Taiheiyō Europe Limited

Towa International Limited

UBS Phillips & Drew Securities Limited

S.G. Warburg Securities

This announcement appears as a matter of record only.

NEW ISSUE

23rd July, 1991



TOSHIBA ENGINEERING & CONSTRUCTION CO., LTD.

U.S.\$100,000,000

5 per cent. Bonds due 1996

with

Warrants

to subscribe for shares of common stock of Toshiba Engineering & Construction Co., Ltd.

ISSUE PRICE 100 PER CENT.

Nomura International

Daiba Europe Limited

Mitsui Taiyo Kobe International Limited

The Nikkei Securities Co., (Europe) Ltd.

Yamaichi International (Europe) Limited

Bank of Tokyo Capital Markets Group

Bank of Yokohama (Europe) S.A.

Barclays de Zoete Wedd Limited

Baring Brothers & Co., Limited

BNP Capital Markets Limited

Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited

Kleinwort Benson Limited

Merrill Lynch International Limited

Salomon Brothers International Limited

Société Générale

Swiss Bank Corporation

Tokai International Limited

Tokyo Securities Co. (Europe) Limited

UBS Phillips & Drew Securities Limited

S. G. Warburg Securities

This announcement appears as a matter of record only.

Proton group takes 15% stake in C&C

By L. M. Siang Nam

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P&P halved after stock write-off

stay with, on the basis of their long-term prospects and the potential for a partnership to provide corporate customers with a service as well as products. Seven manufacturers and three distributors have already been discontinued, hence the stock write-down.

Offsetting the distribution shortfall was a turnover increase of 10.2 per cent to \$51m in the corporate division. This includes network installation, maintenance and training.

Operating profit fell 34 per cent to \$5.4m (\$6.2m). Mr Southworth said margins had been eroded by the increase in the number of people taken on to provide services. The workforce had risen by nearly 200 to 3,000.

Sales in continental Europe, mainly Belgium and Sweden,

The balance sheet remained strong after a \$36.7m rights issue last July. This had wiped out debt of \$20m. At the end of the period, a \$5m cash had been held. By May 31, after \$4.8m of acquisitions, debt was \$1.5m, gearing of 2.7 per cent. Fully diluted earnings were 1.5p, compared with 1.2p to 8.5p (0.9p). The interim dividend is raised to 1.35p (1.25p).

● COMMENT

With talk of a bloodbath still rife in the computer distribution sector, P&P is doing better than most. This must provide some comfort for shareholders who took up last year's rights issue at 185p, when the market was at 150p. The company's rise with yesterday's close of 83p. With the balance sheet still

strong, the company is well placed to move out of recession. Apart from the fact that enough computer dealers have probably gone bust to help stabilise the market, the company's sales are split into three long-term trends: the growth in both personal computer networking and third party management of facilities. However, there are caveats. However, still has some points to prove: will the service people it has recruited prove good enough? Will it be able to get customers to kick the credit habit? Will it be able to get rid of debtors? For the full year, assuming limited deterioration in trade and no more exceptional costs, a pre-tax profit of \$25m to \$26m forecasts a 10% rise in earnings. With 100 stocks undemanding and the price is supported by a 7 per cent yield.

THE BOARD of Thurgar Berdex agreed to recommend an increased offer worth £9.25p for the manufacturer of wet suits, dous and other protective products from Heywood Williams, the UK's largest glass distributor.

Heywood launched an £8.60p hostile offer for Thurgar on July 6, saying it had irrevocable acceptance for the 17.5 per cent stake owned by the Nye family trusts of which Mr Cliff Nye, Thurgar's chief executive, was a director.

Thurgar later suspended Mr Nye as chief executive and dismissed him. Heywood said it had made no decisions on

SOUTHEAST Property, which recently failed in its hostile takeover bid for **Progrema Estates** — a rival property group, yesterday reported a 52 per cent fall from 25.44m to 13.12m in taxable profits for the year ending April 30.

A one-off tax credit of \$3.41m kept after-tax profits moving ahead, however, and contributed to a earnings boost to 6.57p (45p) a share.

The credit mainly from accumulated claims on capital allowances.

The company described the performance as "highly satisfactory" and expressed the belief that the property market was "at or close to the bottom of the cycle".

Mr Malcolm Dargal, chairman and chief executive, said that Southeast was "looking at different opportunities".

This was in spite of a tripling to \$25.06m (£11.11m) in the group's mining sales. "Because of the high price of gold, there were opportunities to reorganise our forward sales book at better sales levels," Mr Dagul explained.

An increased full dividend of 2.45p (2.35p) was announced, with a 10% rise of 3.8p to 41.5p in the company's share price.

● COMMENT
As the lack of share movement suggested, these figures were in line with expectations and hardly surprising in the light of the group's information disclosures during the Frognore bid, launched immediately after its financial year-end. The results are looking for pre-tax profits of about 25m for the current year. Earnings per share will almost certainly be down though as the tax rate reverts to what Mr Dagul calls "normal" levels. The share price's 40 per cent discount to net asset value must look tempting to those who concur with the company's relatively positive view of the property market's outlook.

LONDON and Manchester, the Exeter-based life insurer and financial services group, has announced new business figures for the six months to June 30, expected to be ahead of the industry average.

New annual premiums increased by 7 per cent to reach £25.1m.

Single premiums rose by 15 per cent to £33.9m, following strong second quarter sales

A strong performance by the group's home service operation fuelled growth with sales of annual premiums from that source up 17 per cent at \$8.2m. The group's broker division's sales rose by 8 per cent to reach \$12.3m.

The corporate pensions market remained difficult with new annual premiums down 11 per cent to \$4.6m.

Over the six months ended June 30 1991, net asset value at Temple Bar Investment Trust rose by 11 per cent, from 250.6p to 277.59p.

Twelve months earlier it stood at 299.75p.

Sir Roland Smith, chairman, described that as a satisfactory performance taking into account the impact of the properties and cash in the portfolio.

Temple Bar Properties had

realised its largest property, located in London's West End, at 27 per cent in excess of the December 1990 valuation.

Net profit in the period was \$4.17m (\$4.18m) for earnings of 7.25p (7.26p) per share.

The directors believed, taking all factors into account, that a modest improvement in earnings would be achieved over the full year.

The interim dividend is raised to 4.5p (4.1p).

A SHARP decline in beer consumption over the past few months had been the result in part of budget tax increases, Mr Sam Whitbread, chairman of Whitbread, said at the annual meeting yesterday. The rises in VAT and excise

duty had lifted the price of some beers by 5p to 7p a pint, compared with the chancellor's forecast of 3p, and had been "a nasty shock" to customers. But Mr Whitbread was optimistic that trading would improve towards the end of the

"We are trading well against competitors in most of our businesses and picking up market share", he claimed. "But we have lost some business in the take-home trade as consumers have traded down."

Abtrust Scotland saw a decrease in its net asset value over the year to May 31, down from 34.5p to 30.8p per share.

However, earnings per share came out at 0.75p (0.6p) and the board is recommending an increased dividend for the year of 0.55p (0.45p).

Revenue before taxation was up at £268,000 (£141,000) and tax took £46,000 against £34,000. Assets stood at £10.3m (£7.41m).

Abtrust Scotland Investment Company is one of a stable of 10 investment trusts managed by Abtrust Fund Managers, an arm of the Aberdeen Trust Group.

AB Consultants declines to £1m

In the wake of the recession in the construction industry, Associated British Consultants has seen its pre-tax profit slump from £24.7m to £1.4m in the year ended April 30, 1991. The company's managing director and chairman, said the group continued to generate cash and gain market share, and in the core business of structural engineering consultancy activity levels appeared to have stabilised.

Turnover in the year was £11.8m (£12.6m) and operating profit \$584,000 (\$212,000). Redundancy costs have been charged to profit. Earnings per share dropped to 9.5p (20.7p); the company dividend is 4.5p for a maintained total of 64p.

In the wake of the recession in the construction industry, Associated British Consultants have seen the writ-as-profit slump from £7.9m to £1.4m in the year ended April 30 1991.

But Mr Peter Welch, chairman, said the group continued to generate cash and gain market share, and in the core business of structural engineering consultancy activity levels appeared to have stabilised.

Turnover in the year was £11.8m (£12.6m) and operating profit £564,000 (£212m). Redundancy costs have been charged for the first time. Earnings per share dropped to 9.5p (20.7p); the final dividend is 4.2p for a maintained total of 6.2p.

“I saw The
Trading Service
again.
It’s good, but ...”

I know I said 'never again', but the way in which my friend enthused about The Trading Service (TTS) after he had seen it a few weeks ago I realised I had been a little quick to say 'never again'. After all, to err is only human.

In fact, mistakes and errors are all too familiar in the TTS story. On the one hand, I have been getting more and more frustrated with my current FX dealing system; mistakes have become very expensive in penalty interest, errors and omissions and overdue exposure. And that is an area where TTS really scores these days. The TTS fixed format dealing system actually guarantees 100% accuracy with a mirror-image deal ticket produced automatically at both ends of the deal, confirming all the details of the trade.

On the other hand, it was refreshing to hear the Telerate man admitting that it has taken them a long time to get this product right and that no-one was pretending that it had been anything like perfect from day one.

One area where they have actually proven the value of TTS is that every deal is automatically captured and can be fed directly into your position keeping and back office systems.

Unique and brilliant! Literally, no more expensive mistakes. It could save our bank a fortune.

The privately owned x25 digital network that TTS runs on not only makes it 100% accurate, it also makes it *very* fast. It took less than a second to have the call connected to a bank in Japan. I know it's a bit cliché to say 'time is money' but it's never been demonstrated so effectively to me before. And the Telerate team seemed so keen to make the demonstration relevant to my situation - not his.

I had four separate dealing 'conversations' going on at the same time, intermingling keyboard talking - to keep the whole thing friendly - with the Fixed Format dealing mode. I really found my way around the 'alate' thing, too, and that was after only using it for a few minutes - it wasn't just the fastest dealing tool I've seen, it was also blindingly simple. The Telerate man even let slip that there is soon to be a version which doesn't require a 'alate' and that the new 'talk' facility could now be routed through my own keyboard with the display coming up on an existing screen through my switching system.

"I don't want to be alone in this."

All this was very impressive, but I was nervous of the 'Alexander Graham Bell' syndrome. You know that cartoon where Bell's looking really pleased with himself as he eyes up his invention - the world's first telephone - and his wife pipes up helpfully, "great, really clever - so, who are you

going to call? I mean, who out there is actually using TTS - is there any liquidity? As the Telerate man agreed, it is all very well quoting names of banks who have either taken in or committed to a particular trading system - Telerate had to do that as much as anyone else in the past. It is another thing altogether to demonstrate true liquidity - *actual* usage. He was being very tactful, but I think he was underlining my assumption that people were waiting for everyone else to use the system before they'd be able to get prices. Suffice it to say there are literally hundreds of traders now using it every day all around the world in every currency pair that I trade.

"I'll never say never again. But can we afford it?"

So I left that demonstration as a convert. There's no doubt about it, TTS really is a different product these days.

So now I have to convert my colleagues, too. Do you realise, if we brought in 3 of these TTS positions it would actually be cheaper than keeping a couple of the inferior set ups that we have now? That's my kind of deal...

But that means convincing others like me; people whose ears are firmly closed to any talk of TTS.

A sizeable 'but'. I'll let you know how I get on tomorrow.



TELERATE
Dow Jones Global Information

IN EUROPE, TTS ENQUIRIES SHOULD BE MADE TO :

BELGIUM Rudy Oetlander 32 2 772 1000 • DENMARK Claus Biegaard 45 33 823 266 • FINLAND Matti Laamanen 358 0694 4885 • FRANCE Coles Truong 33 14 289 0609
GERMANY Steffen Kuipers 49 69 153 020 • IRELAND David Tate 353 1 764 600 • LUXEMBOURG Hans Hendriks 852 461 256 • NETHERLANDS Jan de Boeck 31 20 260 912
NORWAY David Chartier 472 421 943 • SWEDEN Fred Noren 46 8 676 9200 • SWITZERLAND Monica Baettig 41 1 271 1411 • UK Denise Crist 44 71 583 0044

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As the Government of the Republic of Yemen has obtained a loan from the Arab Fund for Economic and Social Development for Financing of Train-Aden Power Link Project.

Yemen General Electricity Corporation and Public Corporation of Electric Power in Aden have agreed to take the responsibility of Yemen assumes the issues of the following tenders for Train-Aden Power Link Project.

1. **Transmission Lines Tender :** for supply, erection and putting into service of 132kV/Double Circuit Overhead Transmission Lines from Train to Al-Rabbith, Al-Rabbith to Al-Tarubh, Al-Tarubh to Habshah and from Habshah to Habshah of total length of about 216km of line some, and 33kV Double Circuit Overhead Line from Habshah to Aden of total length of about 35km of line some.

2. **Substations Tender :** for supply, erection and putting into service of 132/33kV Substation in Al-Rabbith, 132/33/11kV Substation in Habshah, 132kV Switching Station in Nobot District, some 33/11kV Substations in Al-Tarubh and Aden and extension of the two existing 132/33kV Substations in Train and Habsh.

3. **Distribution Networks Tender:** for supply, erection and putting into service of about 240km of Medium Voltage 33 and 11kV Overhead Lines, 235 Substations 330kV/4kV and 110kV/4kV/400kV of 120kV Overhead 0.6kV Lines and about 140000 Consumer Connections in 233 Villages in Al-Rabbith and Al-Tarubh Districts.

Tenders wishing to participate in any of the above mentioned Tenders, can obtain the Tender Documents which consist of four Volumes and Addendum for Transmission Lines Tender, six Volumes and Addendum for Substations Tender and three Volumes for Distribution Tender, from the Main Office of Jordan Electricity Authority in Amman, P.O. Box 231, Jordan starting from 22/7/1991 against a sum payable to the Authority of J.O.R. 100000, of which 50000 is of the order of 75% region.

OFFICE IS HEREBY GIVEN, pursuant to Section 40 (2) of the Insolvency Act 1986, that the following of unsecured creditors of the above-named company will be invited to attend a meeting of the creditors to be held at 415 High Street, Chalmersford, Essex CM82 0DT, on Tuesday 5 August 1991 at 11.00 am for the purpose of:-

1. Having laid before it a copy of the Report prepared by the Administrative Receivers pursuant to Section 40 of the said Act, and to consider it, appointing a Creditors Committee;

2. Creditors whose claims are wholly secured by a charge on the assets of the company to attend the meeting;

3. Other Creditors are only entitled to vote if:-

1. they have delivered to me on or at 115 High Street, Chalmersford, Essex CM82 0DT, no later than 1200 hours on the 31st August 1991, written details of the debt claimed and the grounds on which they claim and their claims have been duly admitted under the provisions of Rule 3.11(1) of the Insolvency Rules 1986;

2. there has been lodged with me any proof which the creditor intends to be used in support of its claim.

A.S. ALLYRE PCA
JOINT ADMINISTRATIVE RECEIVERS

Richard Jones
071-873 3460

Greame
LoveLuck -
Edwards
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UK COMPANY NEWS - NHL

No short-term answer for long-term debts

By Norma Cohen

AT THE heart of National Home Loans' liquidity problem is a lesson that the US savings and loan industry learned all too well: short-term borrowings are a risky way to finance long-term debts.

What prompted NHL to seek a loan from its bankers was the sudden threat that its large pool of short-term funds from local authorities would dry up. The flight to quality in the face of losses by authorities at BCCI has threatened the mortgage lender's largest single source of short-term borrowings, forcing it to cast about to quickly replace the loans with a long-term committed facility.

The nation's biggest mortgage lenders, the building societies, also rely on retail deposits for financing. But their broad deposit bases and strong customer loyalty make them much less vulnerable borrowers.

Mortgage industry officials yesterday said that NHL was unusual in its reliance on such a volatile source of funds. It is the only one of the major mortgage lenders to own a banking subsidiary and the only one eligible to attract short-term retail deposits. One of the company's smaller mortgage business competitors, First National Finance Corp, announced to shareholders yesterday that less than £4m of its £1.5bn in loans were short-term and less than 5% of that came from local authorities.

When specialist mortgage lenders first arrived on the UK lending scene in the mid-1980s,

they touted their plans to finance themselves by literally re-selling mortgages to investors, thus relieving the need to finance them via either deposits or bank borrowings.

But while some £3.5bn in UK mortgage-backed securities is currently outstanding in the market, it has been a more successful strategy for some lenders than others. NHL, for instance, has securitised about two-thirds of the £4bn in assets it currently has outstanding. Mr Kevin Milner, chief executive, declined to say how much of the £1.5bn in liabilities were short-term.

But even if NHL's circumstances are unique, news of its liquidity problem sent shivers through the mortgage lending industry. "Securitisation is still in its infancy and investors don't like to buy problems," said an official at one competing firm.

Officials at NHL's two largest competitors, Household Mortgage Corp and Salomon Brothers' The Mortgage Corp, say that their financing strategy has focused on securitising the assets they have and trying to match assets and liabilities.

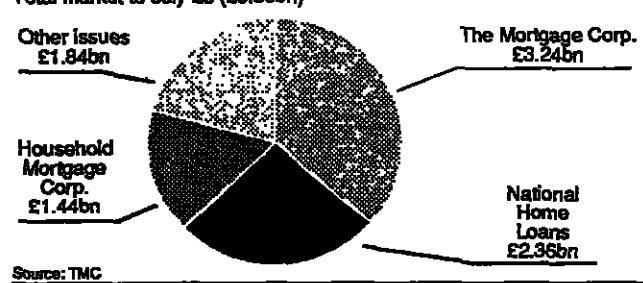
"The problem with retail deposits is that they can go away," said Mr Robert Weir, executive director of HMC. About 80 per cent of the company's book is financed in the bond markets via mortgage-backed securities, with the remainder covered by committed bank facilities from which lenders have more difficulty withdrawing.



Kevin Milner: outside the London offices of NHL yesterday following the announcement of a lifeline.

UK mortgage-backed issues

Total market to July 23 (£3.88bn)



Source: TMC

Mortgage-backed securities market stable

By Tracy Corrigan

PRICES IN the sterling mortgage-backed securities market were stable, after confidence in the sector took a knock when National Home Loans, the second largest issuer in the sector, had to seek help from banks to overcome potential liquidity problems.

Prices in outstanding NHL deals were little changed, partly because the sector had become very illiquid, traders

said. Dealers said they had received inquiries from clients, but most were satisfied that the structure of the securities isolated them from any problems facing the company.

However, NHL may have to pay interest at a higher margin over the London Interbank Offered Rate next time it taps the market, some dealers said. The £10bn sterling mortgage-backed securities market grew

quickly during the housing boom of the late 1980s, as the securitisation process helped specialist mortgage lenders to expand quickly. Securitisation allows issuers to remove mortgages from their balance sheets, repackaging them as mortgage-backed bonds and sell them to investors.

The credit rating downgrade yesterday of The Mortgage Corporation's bonds also damp-

ened sentiment in the market. The sector hit a low point early this year, when the Bank of England announced that to meet EC requirements banks might have to increase the amount of capital held against mortgage-backed securities from 1993. The market, already depressed by the impact of economic recession on the mortgage market, fell back further, but has recovered substantial ground in recent months.

Councils take more cautious approach

NATIONAL HOME Loans, a UK specialist mortgage lender which relied on funding from local authorities, is paying the price of councils' more cautious approach to mortgage-backed securities following the closure of BCCI, writes Tracy Corrigan.

It is one of many smaller financial institutions which

local authorities no longer view as sufficiently credit-worthy. Since the early 80s many councils have shifted from borrowing to lending, as they have become increasingly cash-rich from the proceeds of council house sales.

There are only four main areas where councils can

invest, according to Mr Ian

Ward of the Association of District Councils: these are government bonds and bills, other local authorities, and banks and building societies.

Much surplus cash is placed on deposit with financial institutions, with maturities usually ranging from overnight to a year.

The closure of BCCI, following the collapse of Chancery and Eddington Banks earlier this year, has persuaded councils that slightly higher interest rates may not be worth the increased risk involved.

While many councils are drawing up fresh investment policies, in the short-term they are freezing out all but the most mainstream of institutions.

Many local authorities say that the current squeeze on liquidity is not likely to last very long, although a more cautious approach may prevail.

Mr Derek Edmondson, chief accountant at Harlow, said that there have been days when there has not been sufficient demand from mainstream banks for the council to place its cash surplus. But this may be cold comfort for financial institutions feeling the pinch right now.

What happens when a lender goes bust

By David Barchard

"WHAT HAPPENS to me if my mortgage lender goes bust?" The question must have flashed through many people's minds on hearing yesterday's news that the clearing banks have organised a lifeline for the National Home Loans Corporation.

The short answer is that you could find the interest rate on your mortgage sticking well above market average, but otherwise you should not be greatly affected.

Unlike overdraft lending, mortgages have a fixed term and the lender cannot normally call for early repayment unless the borrower defaults on the agreement.

The new-style mortgage lenders like National Home Loans, who fund from the commercial money markets, sell their mortgages through insurance companies rather than via branch networks are less than ten years old in the UK.

Unlike banks and building societies many of

them are not regulated by the Bank of England because they do not take deposits.

But despite their relative novelty in the market, the housing depression has already claimed several casualties.

Unsuccessful mortgage companies attempt to

sell their mortgage book to another lender. This means that the new lender will administer the mortgage and almost certainly set the price for it. Some troubled lenders have not been sold and simply run down their mortgage books. In this case, a lender has no incentive to

keep interest rates low so usually gently encourages customers to leave by keeping rates high.

Customers could suffer if staying with a moribund lender if its administration was run down. But so long as they continue to meet their payments on time, they should not be greatly disturbed.

But they will probably find it cheaper to shift their mortgage to another lender.

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AIM shares recover as bankers waive £2m loan

By David Owen

SHARES IN AIM Group took off yesterday as the aircraft interiors manufacturer announced that the shadow hanging over its discontinued property activities had been largely lifted.

The Southampton-based company also reported a marginal decline to £2.29m (£2.48m) in annual profits. All told, the shares - which two years ago reached the dizzy heights of 465p - regained 20p to 99p.

Along with its results statement, AIM revealed that its bankers had waived £2m of a troublesome £2m loan to its property division and agreed that repayment of the balance - which will not bear interest - be postponed until 1994.

"It has been a sword of Damocles," said Mr Jeff Smith, chairman and chief executive, referring to the loan. Previously, the sum had been repayable on demand, he said.

The news also the spotlight from the group's decision to cut its final dividend by a sharp 40 per cent to 4p (6.6p), making a total of 5.5p (9p).

"We have massive amounts of expansion to go through and we need every penny," said Mr Smith, explaining the decision. "I simply cannot justify borrowing more to pay a dividend."

The group's turnover, bolstered by a strong performance from the key aviation and general engineering division, climbed by 10.5 per cent

to £52.92m (£47.89m).

This included £10m from the two-year-old Seattle subsidiary, which contributed a maiden operating profit. The company has received contract awards for the interiors of two new aircraft: the SAAB 2000 and the McDonnell Douglas MDX helicopter.

Year-end gearing - excluding the residual £2m property borrowings - weighed in at 75 per cent, with net debt standing at £13m. This resulted in a sharp increase to £1.44m (£299,000) in annual finance charges.

There was an extraordinary charge pertaining to various diverse items of £167,000 (£3.11m). Earnings per share held steady at 11p, compared with 10.5p, thanks to a lower tax charge.

Brent Walker close to deal on refinancing

By Maggie Urry

THE FINANCIAL restructuring of Brent Walker took a step closer to being achieved yesterday when only one of the 47 banks in its main syndicate was left outstanding on the new money part of the deal.

The refinancing involves the banks lending £70m of fresh capital, of which £20m has already been advanced. Yesterday four lenders, who had regulatory or liquidity problems in putting up new money, were taken care of by one banker said.

That leaves only one bank, believed to be Banque Worms, yet to agree to put up cash. Brent Walker's shares rose 4p to 23p.

All 47 banks have agreed in principle to the refinancing, which involves swapping £50m of the £970m owed to them into equity and taking a large part of the interest payments on remaining debt as equity too.

Some of the holders of the £101.9m convertible bonds issued by Brent Walker last November met yesterday morning.

Hambros Bank, which is an investor in the bonds and has been acting to co-ordinate the holders' interests, declined to comment on the meeting, although others said it simply updated holders on recent developments.

Equitable Life invests £67m in property

By Richard Lapper

EQUITABLE LIFE Assurance has announced the purchase of properties from Arlington Securities, the property development arm of British Aerospace.

It is paying £67m for 17 properties at business parks at Aylesbury, Birmingham, Reading, and other locations. Equitable Life bought other properties at the two parks early in 1990 for over £20m.

According to Mr Colin Win-

ter, the chief surveyor of Equitable, "the new portfolio was an opportunity to acquire more first class properties."

Apricot Computers, National Rivers Authority, English China Clay, Bull, Mital and Charles Haswell are among the companies leasing office space at the two sites.

Mr Winter believed property is "close to the bottom of the cycle" and "that yields of between 8% per cent and 9%

per cent look reasonably attractive compared with other forms of investment."

Longer-term property investors ought to be buying "if they can find the right properties", he added.

Equitable now had a property portfolio worth in excess of £750m. About 59 per cent of that was in office space, which Mr Winter conceded was "probably a bit higher than we would want."

Property amounted to about 10 per cent of the insurer's overall investment portfolio.

Mr Patrick Deigman, director of Arlington Securities responsible for business parks, said that since making "a tactical withdrawal from the investment market" last year, Arlington had been "making high level presentations to UK and overseas investors." Further transactions were expected, he added.

First trading values Claremont at £47m

By Jane Fuller

ON ITS first day of trading, Claremont Holdings, formerly the manufacturing arm of Alexon, the retailer, closed down 7p at 165p giving a market value of £46.5m.

With Alexon shedding 150p to close at 390p, the hoped for increase in the combined value of the stocks was a minimal 7p. Investors in Alexon received

one share in Claremont, a supplier of clothes to Marks and Spencer, for every share held in the original group.

Ms Julia Blake, of Barclays de Zoete Wedd, the house broker, said there had been some shake-out of the Claremont shares, with about 1.3m changing hands of the 38.5m total. Two camps had emerged

about the textile company's valuation. Some analysts believed it should only have a single-figure prospective p/e rating, in spite of its strong profits record.

On BZW's earnings forecast of 15.4p this year, the shares are on a prospective p/e of 10.6, and a notional historic yield of 5.7 per cent.

CONTRACTS & TENDERS

REPUBLIC OF POLAND

Ministry of Privatisation

Invitation to Negotiate

Pollena Nowy Dwor and Pollena Raciborz

As part of the Polish Government's Privatisation programme and in accordance with Art. 23 of the State Enterprises Privatisation Act ("Privatisation Act") an invitation is extended by the Ministry of Privatisation, acting on behalf of the State Treasury of the Republic of Poland, to interested parties with proven experience in the cosmetics/toiletries/detergents industry to record and thereafter pursue their interest in, or in the business of, two soon to be incorporated joint stock companies, which will own the business and assets of the Polish state owned enterprises:

- Pollena Nowy Dwor
- Pollena Raciborz

In addition to the proposed sale of a majority stake in these companies to a trade purchaser, the employees of Pollena Nowy Dwor and Pollena Raciborz will be offered shares in the company they work for in accordance with the Privatisation Act.

Pollena Nowy Dwor and Pollena Raciborz are both leading manufacturers of detergents and soaps in Poland. In addition, Pollena Nowy Dwor is the leading Polish manufacturer of Fatty acids.

This invitation is carried out as part of the privatisation initiative for the Polish cosmetics, toiletries and detergents sector currently undertaken by the Polish Ministry of Privatisation, which has already led to the sale of Pollena Bydgoszcz.

The Ministry of Privatisation reserves the right to reject offers submitted, or to modify the privatisation procedure, should this be in the interest of the Ministry or the Companies.

Interested parties should record their interest in the above matter by contacting the undermentioned transaction manager whereupon they will be sent a confidentiality letter for execution as a condition precedent to their receiving an information package on Pollena Nowy Dwor and, or Pollena Raciborz. Inquiries concerning the privatisation initiative for Polish cosmetics, toiletries and detergents sector should also be addressed to the undermentioned transaction manager:

Dr. Bernd Venohr or Fritz Setkowsky or Tugom Hatacka

Bain & Company

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Thomas-Wimmer-Ring 3
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Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period (from and including) 23rd July 1991 to (but excluding) 23rd October 1991, the Notes will carry an interest rate of 11 1/4 per cent. per annum. The relevant interest payment date will be 23rd October 1991. The coupon amount per £100,000 Note will be £140.21 and per £100,000 Note will be £140.21. £2,804.11 payable against the surrender of Coupon No. 6.

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The coupon amount so calculated will be Ecu 22,069.

BANQUE GENERALE DU LUXEMBOURG S.A.
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Prices for electricity generated for the purposes of the electricity trading and regulated markets in England and Wales

Period	Unit	Price	Unit	Price
1/2 hour	MWh	17.80	1/2 hour	MWh
1 hour	MWh	17.80	1 hour	MWh
2 hours	MWh	17.80	2 hours	MWh
3 hours	MWh	17.80	3 hours	MWh
4 hours	MWh	17.80	4 hours	MWh
5 hours	MWh	17.80	5 hours	MWh
6 hours	MWh	17.80	6 hours	MWh
7 hours	MWh	17.80	7 hours	MWh
8 hours	MWh	17.80	8 hours	MWh
9 hours	MWh	17.80	9 hours	MWh
10 hours	MWh	17.80	10 hours	MWh
11 hours	MWh	17.80	11 hours	MWh
12 hours	MWh	17.80	12 hours	MWh
13 hours	MWh	17.80	13 hours	MWh
14 hours	MWh	17.80	14 hours	MWh
15 hours	MWh	17.80	15 hours	MWh
16 hours	MWh	17.80	16 hours	MWh
17 hours	MWh	17.80	17 hours	MWh
18 hours	MWh	17.80	18 hours	MWh
19 hours	MWh	17.80	19 hours	MWh
20 hours	MWh	17.80	20 hours	MWh
21 hours	MWh	17.80	21 hours	MWh
22 hours	MWh	17.80	22 hours	MWh
23 hours	MWh	17.80	23 hours	MWh
24 hours	MWh	17.80	24 hours	MWh

ML Labs begins final testing

ML Laboratories reported further progress towards the development of its dialysis product during the half year to March 31. In January a clinical trial exemption certificate was obtained allowing the final testing to begin at the end of March.

The company, which moved up from the Third Market to the USM during the period, also said it was continuing to refine its production methods. For the six months ML's taxable losses increased to £172,000 (£30,000) resulting from lower investment income and higher costs. Tax took £122,000 (£155,000) reflecting a full charge on the interest received until the Inland Revenue agrees that the company has begun to trade allowing its expenses to be offset.

UK Land falls into £966,000 loss

In its interim report, which shows a turnaround from a profit of £1.72m to a loss of £966,000, UK Land stressed its survival depended very much on the success of the Northampton Business Park.

Mr Colin Tett, chairman, said considerable efforts were being expended which he hoped would result in a letting there before long.

Murray Smaller net asset value lower

Murray Smaller Markets Trust, managed by Murray Johnson, had a net asset value of 275.82p at May 31 compared with 282.36p a year earlier.

Net revenue for the year rose from £2.03m to £2.87m for earnings of 5.12p (3.82p). A final dividend of 2.55p (2.2p) is proposed for a 3.75p (3.3p) total.

List broking halts Dudley Jenkins

Pre-tax profits of Dudley Jenkins, quoted on the USM, fell from £768,000 to £340,000 in the year ended April 30 1991, reflecting the speed, ferocity and depth of the recession in the second half.

Mr Tylan Balchell, chairman, said that the adverse trading conditions only materially affected one company - the list broking business. The rest of the group traded "as well as anticipated".

Turnover came to £2.8m (£2.5m) and the operating profit to £277,000 (£214,000). There was compensation for fire loss £255,000 (£256,000) less this time £120,000 for an insured loss.

The dividend is raised to 4p (3.8p) with a final of 2.7p. Earnings per share were 3.82p (3.82p), or 4.97p before the uninsured fire loss.

BUSINESS AND THE ENVIRONMENT

Think-tank advocates incentives

The Bow group, a conservative think-tank, has called for the introduction of an energy tax to be imposed on the use of all fossil fuels, in a report published yesterday.

The group, headed by Peter Rost, MP for Bournemouth and a member of the House of Commons energy select committee, also called for the removal of VAT on products that enhance energy conservation.

In addition, the UK should set a national target for carbon dioxide emissions to be reduced by 20 per cent below the current level by the year 2000, the report urged. The current target announced by the UK of stabilising these emissions in that time is "timid and inadequate", the report stated.

In a bid to reduce emissions, the Bow group, which includes MPs, oil and gas industry representatives, academics and consultants, calls for the promotion of renewable energy sources through grants, soft loans and fiscal incentives. It specifically mentions the Severn Barrage project in Avon, which aims to harness tidal power in a development that could create one-seventh of current electricity consumption in England and Wales. The report estimates that this would cut UK carbon dioxide emissions by 3 per cent.

Combined heat and power station projects should be given a boost with fiscal and planning incentives, the group urges - only 3 per cent of British power station output currently uses the waste heat from power stations' hot water.

The report calls for providing the UK's newly privatised regional electricity companies with strong incentives to reduce fuel consumption by being more energy efficient. At the same time it urges more competition in the electricity industry. "We urge the secretary of state to make clear his intention that the private sector monopoly of National Power should be broken down into a number of smaller units, which will be free to compete with each other."

Deborah Hargreaves

Energy: The New Priorities, the Bow Group, 32 Bishopsgate, London EC2A 4BA. Price £11.50

Barbara Durr examines the Chicago Board of Trade's proposal for free-market environmental control

Richard Sander, a director of the Chicago Board of Trade, has a vision of how a free-market approach to global pollution control should one day work. "Somehow we have to find a way to pay Brazil to put out oxygen and penalise those who suck it up," he says.

Taking a step in that direction, the CBOT last week put forth a proposal, in large part masterminded by Sander, to trade futures in US pollution permits. The proposal is designed to enhance the acid rain reduction programme of the US Environmental Protection Agency. It would also break entirely fresh ground for futures trading.

Under the mandate of the Clean Air Act of 1990, the EPA will issue permits for fossil fuel-powered electricity companies to emit a certain level of sulphur dioxide (SO₂) between 1995 and 2000. The object of the first phase of the two-part programme is to bring 111 targeted "dirty" utilities into compliance with stricter air standards by the turn of the century.

The plants will be forced to lower their emissions of SO₂, the most harmful ingredient in acid rain, from the high but currently acceptable level of 2.5 pounds per million British thermal units a year to 1.2lb/Btu by 2000. During each of the five years before the deadline, the EPA will issue allowances for emissions that correspond to 2.5lb/Btu times each plant's average use of fossil fuel consumed from 1985 to 1987. At least 5.3m allowances, each authorising one tonne of SO₂ emissions, are expected to be allocated each year.

In phase two of the plan, which would affect all utilities, SO₂ emissions would be capped permanently at 8.9m tonnes per year, or 10m tonnes less than in 1990. Allowances would also be allocated for phase two, but never for more than the cap. This would mean that growth would have to be compensated for by cleaner, more efficient energy production.

Under the Clean Air Act, these permits can be traded by anyone. While this novel concept is experimental and many of the regulations governing the trading are still to be worked out, the free-market approach is expected to enable power plants to decide what is the most effective way for them to comply with the legislation's acid rain requirements.

According to the EPA's draft of its programme, utilities which reduce their SO₂ emissions - by employing, for

Creating a future for pollution

example, new clean coal technology, shifting to cleaner burning coal or moving away from fossil fuels - will have allowances to spare and can sell them for financial benefit. Plants that cannot implement the changes fast enough will need to buy allowances.

Alice LeBlanc, a staff economist with the Environmental Defence Fund, a private green group which has helped craft the programme, says: "The most thing about this is that it gives the polluters themselves a reason to care about cleaning up." Moreover, she expects that with such a financial incentive "the trading system will encourage polluters to control more than what is required by law".

The CBOT proposes to become the central marketplace for the allowances. It intends to start trading in forward contracts in the allowances themselves by 1993. Then it aims to create a market for

level, or exceed it and sell credits to other manufacturers, or even do worse than the average - inevitable with manufacturers in the executive and sports car sectors - and buy credits from makers of more economical cars.

The system's perceived benefit is that a manufacturer would be free to make its own decisions about how quickly to improve miles per gallon - it would provide the benefits of regulation without distorting the market.

Such a system would also encourage innovation and a move towards smaller cars. A CO₂ rather than mpg target is preferred by the industry as this would encourage the development of alternative fuels.

The industry remains critical of the government's refusal to open up, through taxation, a wider price differential between petrol and diesel. Their carbon is smaller, the industry points out, but the greater economy of diesel vehicles would make the CO₂ target easier to achieve.

John Griffiths



Environmental permits set to sweep the trading floor

decision, they are legally obliged to impose what is called a "least cost" plan for the sake of rate payers. They could force the companies to simply sit on their allowances - which are good for successive years - just in case there is a need for expansion or some other event at the plants that forces greater emissions than planned.

LeBlanc is worried that public utility commissions could regulate the treatment of allowances in such a way as to cripple the emergence of a market. Her group is planning a lobbying effort with state regulators to influence them to make decisions that will foster allowance trading.

Another pressure on the proposal's implementation is coming from state governments. Illinois officials, for example, while endorsing the free market approach, say they would prefer to have the deadline for the programme postponed three years.

Illinois, which is the fifth-largest coal producer in the US and the leading state for reserves of soft sulphurous coal, is trying to keep its coal industry alive by promoting the development of clean coal technology.

Kim Underwood, director of the Office of Coal Development and Marketing at the Illinois Department of Energy and Natural Resources, says that a delay would give more time for the development of effective clean-coal technologies.

It is unlikely, however, that the programme will be postponed. Already there is legislation proposed that aims to build on the SO₂ allowance trading plan in order to deal with greenhouse gases.

Last month, in both houses of the US Congress, a bill was introduced that would set up a plan whereby companies would be required to offset their emissions of greenhouse gases by planting trees or taking part in a variety of conservation measures. With international vigilance of chlorofluorocarbons already in the works, Sander's vision may not be as far fetched as it at first seems.

John Griffiths

Soviet Union on a green mission

By Della Bradshaw

While the international news headlines were usurped last week by Mikhail Gorbachev and his entourage wooing leaders from the group of seven industrial nations, another group of Soviet citizens were also visiting Britain.

Although their mission was less publicised, it too, demonstrated a sea change in Soviet views. The group of 16 industrialists, mainly from the metals, petrochemical and chemical industries, were visiting UK companies to glean information on how to stem pollution in the Soviet Union and how to clean up sea and land that had already been polluted.

Leader of the group, former cosmonaut Vladimir Aksenov, now general director of the Planeta space research and production company, in Moscow, said the team saw a range of technologies used by UK firms in situations analogous to those experienced in the Soviet Union.

While the Soviet Union has pollution regulations as stringent as those of many European countries, industry continually fails to meet them.

Aksenov's experience in trying to get joint international developments off the ground have so far proven disappointing for the former cosmonaut. As head of the Planeta research company, which specialises in using satellite imaging to detect the spread of environmental pollution, Aksenov has argued for co-operation between all the environmental satellite bodies in order to produce more comprehensive monitoring. Environmental issues, he argued, were international issues.

The last resort is for the Soviet Union to be given aid, says Aksenov. As a director of Mosbusinessbank, the largest private Soviet bank, he knows that in the end it all comes down to money.

John Griffiths

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Lords quash conviction in cheque and credit card case

REGINA V KASSIM
House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Ackner, Lord Jauncey of Tullichettle and Lord Lowry): July 18 1991

A PERSON who has obtained a cheque book and credit card by false pretences is not guilty of "procuring the execution of a valuable security by deception" when he uses them to obtain money and goods, in that "execution" is a technical term which means that the bank or credit card company does nothing with the cheque or voucher such as signing or validating it, and does not merely give effect to it by making payment.

The House of Lords so held when allowing an appeal by the defendant, Mr Kassim, from a Court of Appeal decision upholding his conviction for procuring the execution of a valuable security by deception.

Section 20(2) of the Theft Act 1968 provides: "A person who dishonestly... by any deception procures the execution of a valuable security shall... be liable to imprisonment... and this subsection shall apply in relation to the making, acceptance, endorsement, alteration, cancellation or destruction... of a valuable security..."

LORD ACKNER said that on November 28 1986 Mr Kassim was convicted of obtaining property by deception contrary to section 15 of the Theft Act 1968, and with procuring the execution of a valuable security by deception contrary to section 20(2).

The Crown's case was that from January to March 1986 a number of bank accounts were opened with Lloyds Bank, and a Lloyds Bank Access card was issued, all in the name of Michael Scott of 10 Sandringham Road, London E8.

By April 1986 the accounts were £23,338 overdrawn, and £943 was outstanding on Access.

A bureau de change became suspicious when Mr Kassim attempted to cash a cheque and produced a cheque guarantee card in the name of M. Scott. The police were telephoned and he was arrested. In his possession were four Lloyds cheque books, an

Access card, and a Eurocheque card, all in the name of M. Scott of 10 Sandringham Road. Subsequent investigation showed that he had no connection with 10 Sandringham Road. After much prevarication and an attempt to escape from police custody Mr Kassim admitted the facts of the case, which was in West Farnley Road, W14.

A number of Access vouchers and cheque counterfoils relating to "M. Scott" were found at that address. At the trial the sole issue was whether the person who had conducted the fraudulent activities was Mr Kassim. The issue as to the true construction of "execution" in section 20(2) was not raised until notice of appeal was filed.

Leave to appeal was granted only against the convictions for procuring the execution of a valuable security by deception.

The Court of Appeal dismissed the appeal in the light of *R v Beck* [1985] 1 WLR 22, and *R v Nanayakkara* [1987] 1 WLR 263.

Section 20(2) was a point of law of general public importance, as to whether there was an "execution" within section 20(2), when a bank on which a cheque was drawn, or a credit card company which received a credit voucher, gave effect to it by paying it.

Mr Kassim contended that "execution" in section 20(2) meant doing something to the face of a document, such as signing it, or performing formalities to give it validity.

The Crown contended that "execution", in addition to those meanings, meant giving effect to the document, and therefore included payment out of the value of the valuable security.

Section 90 of the Larceny Act 1861 provided that a person who by false pretence fraudulently caused another to "execute, make, accept, endorse... any valuable security" was guilty of a misdemeanor.

It was clear from that section that "acceptance" was used in its technical sense. By parity of reasoning, the same must apply to "accept" in section 90 of the Larceny Act.

The Larceny Act 1916 section 32(2) re-enacted section 90 of the 1861 Act. It made no material change.

The Theft Act 1968 repealed the Larceny Act 1916. Section 20(2) was not in precisely the same terms. The offence consisted of dishonestly procuring execution of the valuable security, and the subsequent words, "... and this subsection shall apply to the making, acceptance, endorsement, alteration, cancellation or destruction..." clearly indicated that "execution" was a shorthand expression for an extensive range of acts spelt out in the subsection itself.

They included the "making, acceptance, endorsement, alteration, cancellation or destruction" of the valuable security. "Alteration" and "cancellation" were the only new activities.

Those were all words particularly apt to describe acts done to bills of exchange and other negotiable instruments.

The question was whether the legislature intended by section 20(2) to expand the meaning of "execute" so that it included "give effect to".

The Act was the product of the Criminal Law Revision Committee. It reproduced the substance of the offence under the 1916 Act of fraudulently procuring the execution of a valuable security, but the language was altered to accord with other provisions relating to deception offences (see paragraph 107 of the committee's eighth report, *Cmnd 2577*).

There was apparently no intention to make any alteration. In *R v Beck*, the appellant obtained goods by forging stolen travellers' cheques or using a stolen Diner's Club card. He was convicted of procuring the execution of a valuable security by deception.

The Court of Appeal, which was not intended to make any changes in the law, "Acceptance" did not have the wide meaning attributed to it in *Beck*. It had a narrower technical meaning.

It was also clear from the legislative history of section 20(2) that "execution", which was deemed to cover the various activities detailed in the subsection, had as its object a variety of documents, including bills of exchange and other negotiable instruments.

The subsection contemplated acts being done to or in connection with such documents. It did not contemplate, and accordingly was not concerned with, giving effect to the documents by carrying out the instructions which they might contain, such as delivery of goods or payment of money.

The convictions were quashed. Their Lordships agreed. For Mr Kassim: JJ Rowe QC and Laurence Gooch QC (Adams Barrister).

For the Crown: Richard Du Cann QC and James Curtis (Crown Prosecution Service).

Rachel Davies

Barrister

Price Waterhouse



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COMMODITIES AND AGRICULTURE

Drought brings sharp cut in Soviet grain estimate

By Leyla Boulton in Moscow

THE SOVIET grain harvest this year will be down to between 195m and 200m tonnes after processing, compared with last year's net production of 215m tonnes, according to Mr Nikolai Averyanov, the Soviet deputy agriculture minister.

Mr Averyanov said that although the area sown was the same as last year, drought had affected the harvest in several grain-producing areas, such as the Urals and Kazakhstan.

Despite continued need for

imports, he added, there had already been a significant drop in grain imports this year - partly because of a fall in Soviet oil revenues and a switch to hard currency trading with former Comecon countries. He gave no figures but Interfax, the unofficial news agency, reported that about 10m tonnes of grain had been purchased abroad in the first half of 1991, including 6m tonnes of US maize.

The US government recently granted the Soviet Union \$1.5bn in export credit guaran-

tees, but banks have been reluctant to lend money to the Soviet Union for food purchases despite the guarantee. Western estimates put Soviet grain import needs this year at between 40m to 70m tonnes.

Mr Averyanov also blamed a fall in milk and meat output on shortages of fodder. The Soviet statistics agency, Goskomstat, said yesterday these were down 10 and 12 per cent respectively in the first six months of this year compared to the previous half year.

Ertzberg-Grasberg - 'The world's greatest ore body'

By Kenneth Gooding, Mining Correspondent

MR MILT Ward says of the Ertzberg-Grasberg mines, in the highlands of Irian Jaya, Indonesia: "It is the greatest ore body in the world."

As president of Freeport McMoan, which owns most of that ore body, he undoubtedly is biased. However, most analysts agree with him. The facts speak for themselves.

The relatively new Grasberg mine has the largest published gold reserve of any single operating mine in the world - 22m tonnes. Yet there is much more exploration to be done to define the final outline of the ore body.

Gold is only a by-product, as is the silver that is present in large quantities. Grasberg is being mined for its copper. Already 15m tonnes of copper have been identified.

When the gold and silver by-products are included, Grasberg's cash cost of producing copper is only 40 cents a lb,

putting among the cheapest in the world. Freeport has locked in a floor price of 95 cents a lb for 200m lb of copper in the second half of 1991, or roughly 88 per cent of expected sales in that time.

Mr Ward says that, as output increases, the cost should fall to 30 cents a lb.

Freeport is in the process of spending US\$500m to raise the amount of ore processed at Ertzberg-Grasberg from 20,000 to 52,000 tonnes a day by early next year. This will boost annual output to 600m lb of copper and 600,000 ounces of gold.

Reserves have been growing so fast that Freeport is looking at the economics of lifting production again to 57,000 tonnes a day and then to 60,000 tonnes. At 60,000 tonnes a day, Grasberg would produce nearly 1m lb of copper a year, 1.45m ounces of gold and 3.25m ounces

of silver.

That is not the end of it. In June this year the Indonesian government initiated a new contract of work that gives Freeport exclusive rights for exploration for copper and associated minerals within an area of 6.1m acres, adjacent to and 250 times larger than the company's existing contract of work area. The contract runs for 30 years with allowance for two ten-year extensions.

Mr Ward says he hopes eventually to have a dozen mines in the area.

One big drawback is that there are no roads, power lines or other infrastructure for hundreds of miles outside the present mine area. It is impossible even to land a helicopter in much of the area. But, in case Freeport needs help, nearly every international mining company has been calling to enquire about joint ventures. Mr Ward says: "If

appropriate we would take in partners to use their skills and money. But not at the moment."

As usual with mining projects, the ownership of the "greatest ore body in the world" is fairly complex. Freeport McMoan, based in New Orleans, owns 75 per cent of Freeport Copper and Gold, another US-quoted company and domiciled in Reno, Nevada. Freeport Copper now controls 80 per cent of Freeport Indonesia, which owns and the mines and exploration area. The new contract of work called for Freeport Copper's previous 90 per cent stake to be reduced through the sale of shares to Indonesian investors. This has just been done and Freeport Copper has just been reduced to 50 per cent. By the year 2011, Freeport Copper must reduce its shareholding to no more than 49 per cent.

Chicago prices rise strongly

By Barbara Durr in Chicago

HOT ARID weather across the midwestern United States is pushing grain futures prices strongly up at the Chicago Board of Trade. By mid-morning yesterday, soybean futures for September rocketed 23.25 cents to \$5.58 and September maize rose 8.5 cents to \$2.45. Wheat futures for September followed along, up 8 cents to \$2.86.

Trading yesterday was "all weather" said one analyst from Geldermann, the large Chicago commodities trading house. While an unusually long mid-western heat wave had already

been pushing up prices, traders' concerns were supported by a US Department of Agriculture report released after the close of trading Monday.

The report, a USDA weekly crop assessment, said that the maize and soybean crops were being damaged. The department said that only 58 per cent of the maize crop was in good to excellent condition compared to 66 per cent the previous week. The portion of the soybean crop in good to excellent condition dropped to 52 per cent from 61 per cent the

week before.

Upward pressure on prices is expected to continue, given that national weather services are forecasting little rain for two of the key grain states, Iowa and Illinois, which are already dry. The dryness comes at a crucial stage for both the maize and soybean crops. This is the pollination point for maize and the moment when soybean plants sprout the pods that render the beans. If these critical processes for the crops are hindered, greater crop damage can result.

Freeport's Indonesian struggles pay dividends

Claire Bolderson reports on a copper project involving almost unbelievable feats of engineering

TWENTY YEARS ago it took extraordinary vision, millions of dollars and an almost unbelievable feat of engineering to build the Freeport copper mine high in the rugged mountains of Indonesia's Irian Jaya province. There must have been moments when the American-based company, faced with some of the most inhospitable terrain on earth, low world copper prices and increasing criticism of the mines environmental and social impacts, was in 1967 the first foreign company to invest in the country under President Suharto's new government. It was drawn to the easternmost province of Irian Jaya (formerly Dutch New Guinea) by the Ertzberg mountain - a huge outcrop of copper - which went into production in 1972.

To get at the copper Freeport built a 104 km (65 mile) road from the swampy lands on the totally undeveloped southern Irian coast up into the glacier-carved mountains. The town of Tembagapura was built some

2,500 metres above sea level to provide homes for mine employees, now numbering 7,400. The company constructed a mill and built the longest single-span aerial tramway in the world to connect it with the mine site.

A 115 km slurry pipe was laid to carry copper from the mill to the port that the company carved out of the jungle below and from where copper concentrate is shipped to smelters, mostly in Japan. As one Freeport executive sums it up "everything was a logistical nightmare". Today all that is left of the Ertzberg is a steeply terraced pit. There are still some 3m tonnes of copper at the bottom, which will be mined from underground, and there is underground mining also at the Ertzberg East site nearby.

But it is the Grasberg mountain 3 km away that is now the focus of Freeport Indonesia's attentions. Grasberg has an estimated 396m tonnes of ore reserves at an average grade of 1.54 per cent copper, 2.03 grams of gold per tonne and 3.40 grams of silver per tonne. Its gold reserve is the largest published of any operating mine in the world.

Production at Grasberg, which will eventually be one of the world's biggest open pit mines, began in January of last year and by the end of 1990 Grasberg was supplying more than 50 per cent of the ore going to the mill. At the mill, a big expansion programme has been under way to cope with the new mine activity.

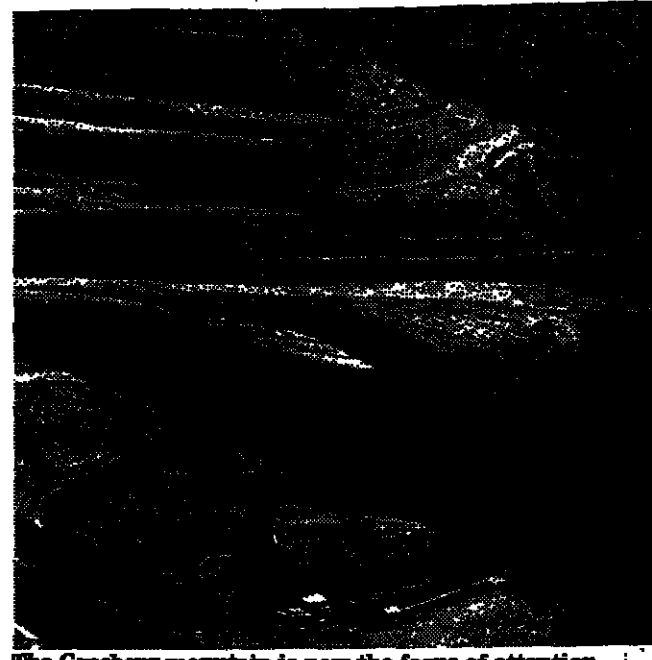
The plan is to increase mill capacity to 57,000 tonnes a day by early 1992, up from an average daily output of 24,700 tonnes in 1989 and 31,700 last

year. All this growth is a far cry from the time, as recently as five years ago, when Freeport thought that the end of its operations in Irian Jaya. With the Grasberg discovery and the prospect of a lot more copper and gold being found in the mountains that run to the border with Papua New Guinea the company wants to stay and make the most of its early investment.

The new contract of work has a 30 year term with the prospect of two 10-year extensions. It adds some 6.5m acres to Freeport's current mining area of 24,700 acres and it requires Freeport Indonesia to transfer all its assets and liabilities to a newly-formed Indonesian corporation.

At the moment, the Indonesian government owns 10 per cent of Freeport Indonesia and the company will sell another 10 per cent to Indonesian investors at a price of about \$23m. In the first ten years of the next century, Freeport will reduce its share of ownership further.

Freeport's new commitment to staying in Irian Jaya has led to a major review of its policies and attitudes towards the local people of the province. It has also meant that the company has had to start addressing some long-neglected environmental questions associated with its mining operations. Over the past years, Indonesian pressure groups have accused Freeport of neglecting local economic needs, uprooting native tribesmen from their traditional lands, destroying the environment and failing to make a positive contribution to the



The Grasberg mountain is now the focus of attention

communities in the area. It was difficult to establish a true picture because Freeport's activities were virtually sealed off from outsiders. Now, however, the company is making a determined effort to portray a different image, one which it says reflects its commitment to the people of the region. It has set up a foundation that is putting money into building villages, clinics and schools in the coastal areas near its port. Tembagapura buys large amounts of local produce from Irianese fishermen and traditional farmers and the company is planning a \$25 business incubation scheme to help small-scale Indonesian businesses get off the ground. Freeport also says it wants to recruit more Irianese to the work force. It points out that the few Irianese have in the past been equipped with the skills needed at the mine but that as local people become better educated, they will stand a better chance of being hired.

Important environmental questions remain, however. Freeport knows this and wants to do something about them. It has this year set up an envi-

ronmental department at Tembagapura and for the first time since mine production began 18 years ago the company is monitoring regularly the Aijika river into which it dumps all its copper tailings. It is also carrying out reclamation projects and assessing the environmental impacts of its new mining activities.

Environmentalists remain concerned. They are anxious about the increase in tailings as the operation at Freeport expands, about the possible silting up of the river and about the possibility that the material in it may become toxic. They criticise Freeport for having failed to consider these issues for so many years and for failing to plan ahead adequately. They are also concerned about the huge amounts of overburden that have to be shifted from the Grasberg mountain to get at the ore.

By the time Freeport has finished with the Grasberg mountain, like the Ertzberg, will have disappeared. Environmentalists say the company must plan better for the disposal of its remains.

Soviet boost for Malaysian market

By Lim Siong Hoon in Kuala Lumpur

THE SOVIET Union has given the Malaysian commodities market a boost with an official request over the week-end for M\$558m (€120m) in credits to buy local agricultural commodities, especially crude palm oil.

Near-month palm oil prices in the Kuala Lumpur Commodity Exchange rose on Monday to M\$839 from last Friday's close of M\$829 a tonne to M\$839, while the October price, the most active, rose from M\$821 to M\$834.

Mr V.S. Mordinov, the Soviet deputy foreign minister, made the credit request in a meeting

with Mr Lim Keng Yaik, the Malaysian primary industries minister. Mr Mordinov and Mr Lim D. Malykov, the deputy prime minister, are visiting Malaysia in response to a government invitation to a week-end meeting on trade and regional politics of the Association of South East Asian Nations (Asean).

Mr Lim said his ministry would recommend the cabinet to consider "seriously" the request, the first of this magnitude from the Soviet Union.

The Soviet Union is asking for delivery within the next six

months 350,000 tonnes of palm oil and palm oil products, compared with 20,000 tonnes during the first half of the year.

Should the deal be concluded it would be one of the most significant advances for Malaysia in its search for agricultural markets outside its traditional markets in western Europe and north America. Dr Mahathir Mohamad, the prime minister, also travelled to south America earlier this month to promote trade and palm oil exports.

The Soviet Union normally takes 6 per cent of Malaysian palm oil exports.

MINOR METALS PRICES

Prices from Metal-Bulletin (last week's in brackets)

ANTIMONY: European free market, 99.5 per cent, \$ per tonne, in warehouse, 1,620-1,650 (same).

BISMUTH: European free market, 99.99 per cent, \$ per lb, in warehouse, 2,903-3,000 (same).

CADMIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,30-1,50 (same).

COBALT: European free market, 99.5 per cent, \$ per lb,

in warehouse, 12.85-13.29 (13.00-13.10)

MERCURY: European free market, 99.99 per cent, \$ per 75 lb flask, in warehouse, 80-95 (same).

MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.22-2.37 (2.35-2.40).

SELENIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg WO₃, cif, 56-60 (same).

Vanadium: European free market, min. 96 per cent, \$ a lb V₂O₅, cif, 2.40-2.50 (same).

URANIUM: Nuxco exchange value, \$ per lb, U₃O₈, 9.05 (same).

LINE WAREHOUSE STOCKS (As at Monday's close)

Aluminium	+3,225 to 455,675
Copper	+1,325 to 255,675
Lead	-180 to 65,000
Nickel	+570 to 4,272
Zinc	+2,025 to 120,775
Tin	+35 to 14,380

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices continued to decline on the LME, although the market was able to absorb fairly heavy producer hedge sales. The 2,325 tonnes rise in LME warehouse stocks (to a record 485,875 tonnes) was much smaller than expected but traders confidently expect further substantial arrivals in LME warehouses over the summer.

Nickel prices recovered earlier losses to close fairly stable. LME warehouse stocks rose by a further 570 tonnes to 4,872 tonnes, more than twice the level of a week ago. Platinum closed \$1.50 down at the close on the London bullion market at \$377.50 a troy ounce despite the announcement

by Lonrho South Africa that it was having talks with Glavalmaz Zoloto, the Soviet Union's precious metals organisation, about possible complementary technical and marketing arrangements. Mr Paul Spicer, a director of Lonrho, pointed out that GZ was "a major force in the world platinum market and we have the highest regard for its marketing abilities."

Analysts have suggested that South Africa and the Soviet Union might be working towards a platinum cartel. There was active two-way trading in silver and the metal ended 8 cents lower at 430.5 cents a troy ounce. Gold came under pressure from US banks.

Compiled from Reuters

London Markets

SPOT MARKETS

Commodity	Price	Change
Crude oil (per barrel FOB)	21.50	+0.20
Brent Blend (oil)	21.50	+0.20
Brent Blend (oil)	21.50	+0.20
WTI (1 pm est)	21.50	+0.20
Oil products		
(NWE prompt delivery per tonne CIF)		
Premium Gasoline	242-244	-1
Gas Oil	187-188	-1
Heavy Fuel Oil	172-74	-1
Naphtha	190-192	-3
Petroleum Argus Estimates		
Other		
Gold (per troy oz)	377.50	-1.65
Silver (per troy oz)	430.50	-4.0
Platinum (per troy oz)	377.50	-1.5
Palladium (per troy oz)	555.50	
Copper (US Producer)	103.4	-0.1
Lead (US Producer)	154.1	+0.02
Tin (Kuala Lumpur market)	26.5	
Tin (New York)	26.5	
Zinc (US Prime Western)	82	

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INDUSTRIALS (Misc.)—Contd.

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Lot Class	Cum. Prod.	Std. Price	Offer + or - Price -	Yield Bt/A
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CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid prices is determined by a formula that takes into account the number of shares, the number of days until the offering, the type of offering, the type of security, and the type of offering. The cancellation price is the minimum price that the issuer must pay to the investor if the investor cancels the offering. The cancellation price is the minimum price that the issuer must pay to the investor if the investor cancels the offering.

PORTLAND PRICES: The price of Portland Cement has been raised by the managers due to the fact that the cost of the raw materials, viz., clinker, has increased. The price of Portland Cement is now £1.10 per ton. The price of Portland Cement is now £1.10 per ton. The price of Portland Cement is now £1.10 per ton.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from here.

Other explanatory notes can be obtained from the list columns of the 17 International Funds Service.

Life Assurance and Unit Trust
Investment Department,
Crest Fund,
100 New Oxford Street, London WC2A 70JF
Tel: 677 - 2728 - 8444.

Investable Fund Management		1990/91	
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Amersham (Res)	0494 220 000		
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slides against D-Mark

THE DOLLAR retreated in late European trading, to finish below DM1.7600, after touching a peak of DM1.7725.

The slide followed comments from Mr Michael Boskin, White House chief economic adviser, who said the US economy appears to be in recovery but that some regions, as well as some business sectors, still lag behind.

He noted that the car industry, property and construction sectors, have been particularly hard hit by the recession, and that "the serious problem of the availability of credit in the US is probably the biggest single threat to a sustained recovery."

Nevertheless Mr Boskin told a congressional joint economic committee that the administration expects the economy to expand in the second half of 1991 and to grow through the next year and beyond. He added that "the nation must choose between sound policies that will promote long-term growth and policies that will reduce economic flexibility, stunt incentives and place its economic future at risk."

Dealers said that Mr Boskin's reference to a credit crunch was the main factor depressing the dollar. At the London close it was generally weaker on the day, falling to DM1.7650 from DM1.7685; to

Y136.95 from Y137.40; and to FF5.9825 from FF5.9700, but rising to FF5.9860 from FF5.9815. On Bank of England figures the dollar's index was unchanged at 86.9.

Sterling improved against the dollar and remained the third strongest currency in the European exchange rate mechanism. Encouraging UK economic news, including Monday's current account and overseas trade figures for June, were offset by speculation about British interest rate cuts later this year.

The pound gained 35 points to \$1.6845. It also rose to DM2.9575 from DM2.9550; to FF10.0450 from FF10.0350; and to SF2.5700 from SF2.5675, but eased to Y36.75 from Y36.80 as the sterling index closed unchanged at 91.1.

The French franc showed little reaction to disappointing French trade figures in June, or to comments by Mr Pierre

Beregovoy, French finance minister, about possible cuts in interest rates. It stayed the second weakest ERM currency, slightly above the Danish krone.

France had a seasonally adjusted trade deficit of FF3.81bn in June, compared with a revised May shortfall of FF1.95bn. There had been speculation that the trade balance might be in surplus for the first time since early 1990.

Figures on German consumer prices for July are expected today or tomorrow. These are forecast to show a sharp rise in year-on-year inflation to at least 4.0 per cent from 3.5 per cent in June. Rising inflation will increase speculation about next month's Bundesbank council meeting will result in higher official interest rates however and is already reflected in the D-Mark's value, according to dealers.

EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Central Bank	Current Rate	% Change from 1990	% Change from 1989	Divergence
Spanish Peseta	166.638	128.167	-4.99	5.59	6.69	
Italian Lira	2036.268	1336.156	-33.91	33.91	33.91	
French Franc	6.55957	6.55957	0.00	0.00	0.00	
German Mark	1.00000	1.00000	0.00	0.00	0.00	
Belgian Franc	20.336	20.336	0.00	0.00	0.00	
Dutch Guilder	2.20371	2.20371	0.00	0.00	0.00	
Portuguese Escudo	200.482	200.482	0.00	0.00	0.00	
Irish Punt	7.87564	7.87564	0.00	0.00	0.00	
Greek Drachma	340.750	340.750	0.00	0.00	0.00	

Unit rates of the European Central Bank. Rates are in decimal form. Percentages change are for the last 12 months. Percentages change are for the last 12 months. Percentages change are for the last 12 months.

POUND SPOT - FORWARD AGAINST THE POUND

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Unit	Spot	1 month	3 months	6 months	12 months
DM	1.7650	1.7650	1.7650	1.7650	1.7650
FF	6.55957	6.55957	6.55957	6.55957	6.55957
Y	136.95	136.95	136.95	136.95	136.95
SF	5.9825	5.9825	5.9825	5.9825	5.9825

CURRENCY MOVEMENTS

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

CURRENCY RATES

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

OTHER CURRENCIES

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

FINANCIAL FUTURES AND OPTIONS

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

CHICAGO

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

PARIS

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

BASE LENDING RATES

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

FT LONDON INTERBANK FIXING

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

MONEY RATES

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

POUND - DOLLAR

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

LONDON MONEY RATES

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

MONEY MARKET FUNDS

Money Market Trust Funds

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

Money Market Bank Accounts

Unit	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6845	1.6845	1.6845	1.6845	1.6845
DM	2.9575	2.9575	2.9575	2.9575	2.9575
FF	10.0450	10.0450	10.0450	10.0450	10.0450
Y	36.75	36.75	36.75	36.75	36.75
SF	2.5700	2.5700	2.5700	2.5700	2.5700

JOTTER PAD

CROSSWORD

No.7,602 Set by CINEPHILE

In the across clues always has the same meaning

ACROSS

1 A bit of pain in skin turned to L (6)

4 Pointless representations of prestige (6)

8 Marker of current programme, terribly partial (7)

9 Provincial L finds back stuff in chopped vegetable (7)

11 L got my flavour first? First king's first (10)

12 The actual L gives colour (4)

14 Senior L (8)

16 Deception is not backed by (7)

17 Scottish L, number divisible by 2 (5)

20 L gets on neutron discoverer's wick (4)

21 L - key of clock, maybe, that's all (10)

24 L and church porch he shut out in storm (7)

25 Money for leather worker (6)

26 Cure of aquatic plants without number (6)

DOWN

1 Peculiar bachelor's dance (5)

2 She takes stung from the bed (7)

3 Hide to find falsehood in carol singer's (3,4,1)

5 Friendly vehicle (6)

Solution to Puzzle No.7,601

ACROSS

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Solution to Puzzle No.7,601

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8 Marker of current programme, terribly partial (7)

9 Provincial L finds back stuff in chopped vegetable (7)

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CANADA TORONTO									
	July	July	July	July	1991				
	22	18	18	17	HIGH		LOW		
Metals & Minerals	3258.41	3276.94	3299.99	3251.53	3299.99	118/7	2632.06	9/2	
Composite	3545.40	3561.90	3561.19	3541.83	3562.07	7/5	3361.95	13/1	
MONTREAL Portfolio	1887.96	1900.76	1901.52	1887.57	1903.86	7/5	1686.89	9/2	

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. 9 Excluding bonds. 9 Industrial, plus Utilities, Financial and Transportation. 10 Closed. 10 Unavailable.

SWITZERLAND									
S&P Bank Ind. (31/12/88)	765.8	762.8	761.6	763.0	767.2	11/17	798.4	11/17	
S&P General (11/1/89)	685.7	683.1	685.4	686.3			687.1	11/17	

TAIWAN—
Weighted Price (DOLLAR) 4922.98 4955.04 4921.99 4905.22 4953 3316.26 13/1

THAILAND									
Bangkok SET (31/12/88)	706.86	710.61	677.33	652.54	698.13	11/17	582.48	11/17	

WORLD
U.S. Capital Ind. (12/17/88) 498.3 496.8 498.2 497.5 529.2 13/17 491.1 11/17

★ Sunday July 23: Taiwan Weighted Price: 5148.13 Korea Comp. Ex. 652.74.
★ Subject to official confirmation. ★ Calculated as 15.00 GMT.
Base values of all indices are 100 except: BEL20, NEX General, NYSE (Metals) and DAX—1,000; JSE Gold—255.7, JSE 26 Industrials—254.5 and Australia All Ordinary and Mining—500; 10 Closed. 10 Unavailable.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

3:00 pm prices July 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Stock	Chg.	Vol.	High	Low	Open	Close	Stock	Chg.	Vol.	High	Low	Open	Close
1001 High Stock							1001 High Stock						
1002 AAR Corp							1002 AAR Corp						
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NASDAQ NATIONAL MARKET

3:00 pm prices July 23

Stock	High	Low	Open	Close	Change	Volume	Stock	High	Low	Open	Close	Change	Volume	Stock	High	Low	Open	Close	Change	Volume	Stock	High	Low	Open	Close	Change	Volume	Stock	High	Low	Open	Close	Change	Volume																																																																																																																																																																																																																																																																																																																																																																																																															
ABC Corp.	10.25	10.10	10.15	10.20	+0.05	1500	XYZ Corp.	15.50	15.30	15.40	15.45	+0.05	2000	DEF Corp.	8.75	8.60	8.65	8.70	+0.05	1800	GHI Corp.	12.00	11.80	11.90	11.95	+0.05	1600	JKL Corp.	9.50	9.30	9.40	9.45	+0.05	1400	MNO Corp.	11.00	10.80	10.90	10.95	+0.05	1700	PQR Corp.	7.25	7.10	7.15	7.20	+0.05	1300	STU Corp.	13.50	13.30	13.40	13.45	+0.05	1900	VWX Corp.	6.00	5.80	5.90	5.95	+0.05	1200	YZA Corp.	14.00	13.80	13.90	13.95	+0.05	2100	BCD Corp.	5.50	5.30	5.40	5.45	+0.05	1100	EFG Corp.	16.00	15.80	15.90	15.95	+0.05	2200	HIJ Corp.	4.75	4.60	4.65	4.70	+0.05	1000	KLM Corp.	17.00	16.80	16.90	16.95	+0.05	2300	NOP Corp.	3.50	3.30	3.40	3.45	+0.05	900	QRS Corp.	18.00	17.80	17.90	17.95	+0.05	2400	TUV Corp.	2.50	2.30	2.40	2.45	+0.05	800	WXY Corp.	19.00	18.80	18.90	18.95	+0.05	2500	ZAB Corp.	1.50	1.30	1.40	1.45	+0.05	700	CDE Corp.	20.00	19.80	19.90	19.95	+0.05	2600	FGH Corp.	0.50	0.30	0.40	0.45	+0.05	600	IKL Corp.	21.00	20.80	20.90	20.95	+0.05	2700	JMN Corp.	0.25	0.10	0.15	0.15	+0.00	500	OPQ Corp.	22.00	21.80	21.90	21.95	+0.05	2800	RST Corp.	0.10	0.05	0.05	0.05	+0.00	400	UVW Corp.	23.00	22.80	22.90	22.95	+0.05	2900	XYZ Corp.	0.05	0.00	0.00	0.00	+0.00	300	ABC Corp.	24.00	23.80	23.90	23.95	+0.05	3000	DEF Corp.	0.00	0.00	0.00	0.00	+0.00	200	GHI Corp.	25.00	24.80	24.90	24.95	+0.05	3100	JKL Corp.	0.00	0.00	0.00	0.00	+0.00	100	MNO Corp.	26.00	25.80	25.90	25.95	+0.05	3200	PQR Corp.	0.00	0.00	0.00	0.00	+0.00	0	STU Corp.	27.00	26.80	26.90	26.95	+0.05	3300	VWX Corp.	0.00	0.00	0.00	0.00	+0.00	0	YZA Corp.	28.00	27.80	27.90	27.95	+0.05	3400	BCD Corp.	0.00	0.00	0.00	0.00	+0.00	0	EFG Corp.	29.00	28.80	28.90	28.95	+0.05	3500	HIJ Corp.	0.00	0.00	0.00	0.00	+0.00	0	KLM Corp.	30.00	29.80	29.90	29.95	+0.05	3600	NOP Corp.	0.00	0.00	0.00	0.00	+0.00	0	QRS Corp.	31.00	30.80	30.90	30.95	+0.05	3700	TUV Corp.	0.00	0.00	0.00	0.00	+0.00	0	WXY Corp.	32.00	31.80	31.90	31.95	+0.05	3800	ZAB Corp.	0.00	0.00	0.00	0.00	+0.00	0	CDE Corp.	33.00	32.80	32.90	32.95	+0.05	3900	FGH Corp.	0.00	0.00	0.00	0.00	+0.00	0	IKL Corp.	34.00	33.80	33.90	33.95	+0.05	4000	JMN Corp.	0.00	0.00	0.00	0.00	+0.00	0	OPQ Corp.	35.00	34.80	34.90	34.95	+0.05	4100	RST Corp.	0.00	0.00	0.00	0.00	+0.00	0	UVW Corp.	36.00	35.80	35.90	35.95	+0.05	4200	XYZ Corp.	0.00	0.00	0.00	0.00	+0.00	0	ABC Corp.	37.00	36.80	36.90	36.95	+0.05	4300	DEF Corp.	0.00	0.00	0.00	0.00	+0.00	0	GHI Corp.	38.00	37.80	37.90	37.95	+0.05	4400	JKL Corp.	0.00	0.00	0.00	0.00	+0.00	0	MNO Corp.	39.00	38.80	38.90	38.95	+0.05	4500	PQR Corp.	0.00	0.00	0.00	0.00	+0.00	0	STU Corp.	40.00	39.80	39.90	39.95	+0.05	4600	VWX Corp.	0.00	0.00	0.00	0.00	+0.00	0	YZA Corp.	41.00	40.80	40.90	40.95	+0.05	4

3:00 pm prices July 23

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ZIMBABWE

The FT proposes to publish this survey on 27 August 1991 and it will be distributed to 160 countries worldwide. If you want to reach this important audience, call Louise Hunter on 071 873 3238 or fax 071 873 3079.

FT SURVEYS

